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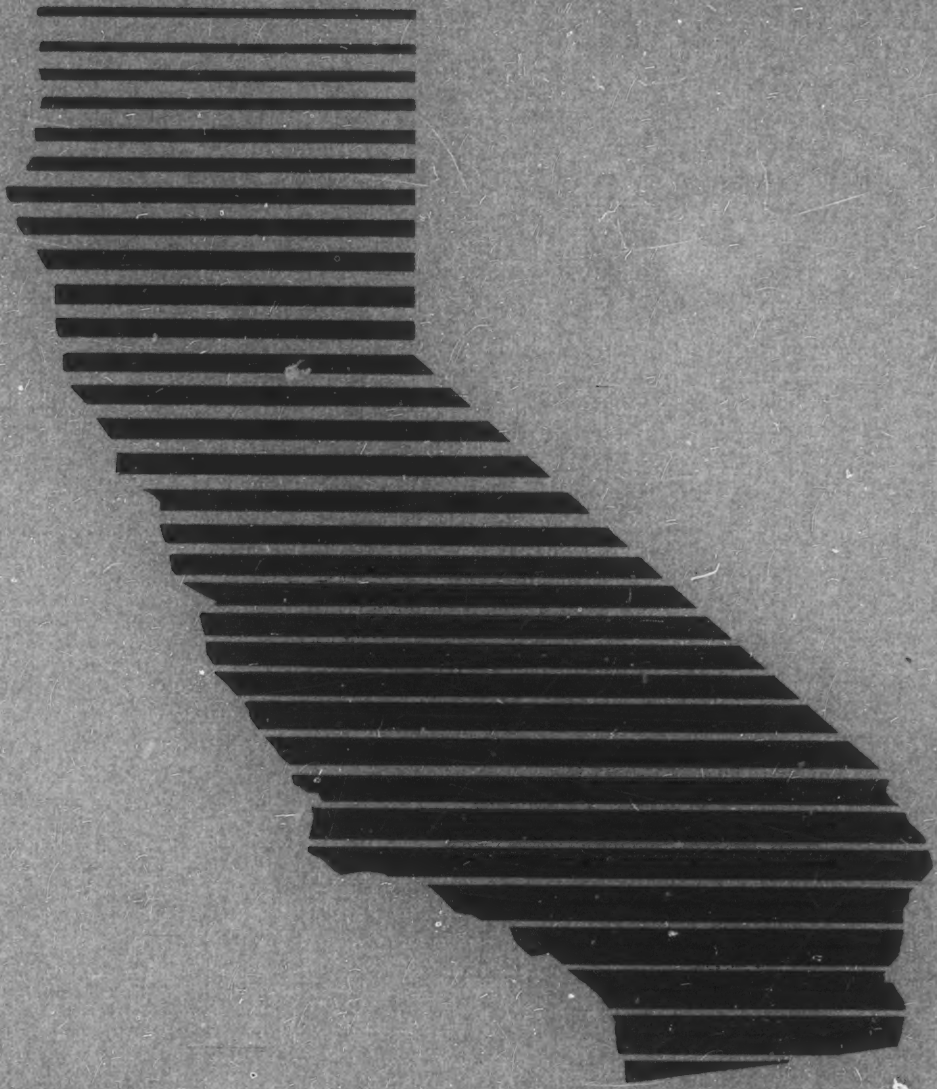
CALIFORNIA ECONOMIC INDICATORS

September 1987



DEPARTMENT OF FINANCE

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INTRODUCTION

California Economic Indicators is a bimonthly summary of economic trends and data relating to the State of California. Generally patterned after the U.S. Bureau of Economic Analysis publication Business Conditions Digest, the report contains regular features.

Developments in California over the most recent months are reviewed in a brief text, and then summarized in current data tables which show changes over the previous year. Charts containing monthly and quarterly series from 1978 are included to facilitate the review of current developments, and to appraise the significance of the developments on the State economy. Much of the data in the report has been seasonally adjusted by the source agency or the Department of Finance.

Reference dates for U.S. business cycles, as determined by the National Bureau of Economic Research, are also shown. Finally, sources are cited on the inside back cover to assist readers in obtaining any additional information on the statistical series published.

The Department of Finance welcomes suggestions on additions or changes which would make the Indicators a more useful publication. Correspondence should be addressed to State of California, Department of Finance, Financial Research Unit, 1025 P Street, Sacramento, CA 95814.

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REVIEW OF ECONOMIC DEVELOPMENTS

The rather rapid pace of economic activity evident during the first half of 1977 has given way to a somewhat mixed picture in recent months. The California economy continues to expand, but the pace has clearly slowed as the expansion enters its sixth year.

Employment data reflect this mixed economic situation. The goods producing industries are relatively sluggish, while service activities move ahead at a strong pace. In particular, there has been a noticeable slowing in the growth of construction jobs, as activity is being held in check by rising interest rates and the effects of high vacancy rates among commercial office buildings in many areas of the State.

Construction employment, while still up a solid 8 percent over 1986 levels, has been showing month-to-month gains which imply annualized growth of less than 4 percent in recent months. The October 1 earthquake in the Los Angeles area represents an economic loss of as yet unguaged magnitude. However, the rebuilding process will result in some additional construction activity over the next year or two.

Manufacturing employment remains sluggish overall, although recent figures are showing some signs of improvement. In the food processing industry, for example, September figures are up 3.6 percent over the year, reflecting bumper harvests of several important fruit and vegetable crops. The number of jobs in the paper and publishing industries are up more than 2 percent over the comparable 1986 figure.

Within the durable goods industries, strong gains remain evident in aircraft and parts, up more than 5 percent over 1986, and motor vehicles, up nearly 9 percent. However, other important durables industries such as nonelectrical equipment, instruments and missiles and space vehicles are flat to down slightly over the past year, although recent months have seen small gains in these sectors.

In contrast, most service related industries remain quite strong. There continues to be particularly healthy growth in wholesale and retail trade as well as virtually all categories of business and personal services. Gains in hotel employment have been especially strong, suggesting a good tourist season aided in some measure by the weaker dollar.

Government and finance are somewhat less strong, with the number of jobs up about 2.5 percent over the past year. Streamlining at several major depository institutions has held back growth in finance.

Transportation and utilities are the weakest of the service producing sectors, with strong growth in trucking offset by declines in communications and railroads, and a flat trend in the energy utilities.

Overall, industry employment figures, based on a sampling of payrolls, continue to evidence steady albeit moderating gains. In contrast, the household survey data, on which total employment, labor force and unemployment statistics are based, are typically more volatile on a month to month comparison. The September figures, for example, indicated a small decline in total employment, and an increase in the jobless rate from 5.4 percent to 5.8 percent. Even so, the unemployment rate is considerably lower than might be expected given the moderate rate of growth in economic activity. Moreover, despite the September increase, California's jobless rate remains below the national figure of 5.9 percent.

The rate of inflation has picked up moderately in recent months, although price trends remain subdued by comparison to the '70s and early '80s experience. The San Francisco Bay Area consumer price index was up 3.3 percent between August 1986 and 1987, while prices in the Los Angeles area registered a 4.8 percent annual increase. Nationally, the August CPI was up 4.3 percent on the year.

Differences between inflation in the two California regions center on the heavily weighted housing components. In Los Angeles, homeowners' costs are up 6.5 percent and rents 5.8 percent over the year-ago level. In the Bay Area, home ownership costs were only 3.3 percent and renters' costs 5.1 percent above August 1986. There was also wide divergence in apparel prices, which were up over 7 percent in Los Angeles, but down more than 2 percent in the San Francisco-Oakland- San Jose region. Movements in consumer prices in California and the nation are summarized in the accompanying table.

The housing sector is beginning to show the strain of rising interest rates. The volume of new building permits issued in both July and August was below the 240,000 pace, after averaging an annual rate of more than 260,000 units during the first half of the year. Rising mortgage rates coupled with a shortage of listings have been cited by the California Association of Realtors as contributing to a slowdown in resale activity during the summer months.

Despite the recent slowdown, 1987 will nonetheless be an excellent year for house building and sales, with new construction activity on course for a very respectable 250,000 unit production for the entire year. Of particular note is California's rising share of the nation's new house construction, now consistently in the 15-20 percent range, up from a low of 10-12 percent in the late '70s and early '80s.

Personal income data have recently undergone a major revision affecting figures back to 1969. The U.S. Department of Commerce, which publishes annual personal income figures for the 50 states, periodically adjusts the data for later information, as well as changes in concepts or methodology. The figures are also tied to national income data, which are revised periodically.

Quarterly estimates for California have also been revised by the Department of Finance to reflect the latest Commerce Department annual figures. Copies of the new series may be obtained on request. Annual figures for counties, prepared by the U.S. Department of Commerce and distributed by this department in California are undergoing a major revision. As a result, 1985 figures which would normally have been available in May of this year, will not be issued until May 1988, when 1986 county income data are also scheduled to be released.

The preliminary estimate of second quarter personal income for California is $490.1 billion, reflecting a year-over-year gain of 8.1 percent. Wage and salary income remains the principle source of personal income growth, up 9.6 percent from the second quarter 1986 level.

One interesting development evident in the revised data is the slowdown in the growth of other labor income, or fringe benefits. In years past, fringe benefits could be counted on to increase faster than wage and salary income, partly reflecting improvements in non money benefits, as well as the rising relative cost of such items as medical insurance. The Commerce data now suggest that fringes are growing more slowly, possibly reflecting efforts to contain costs, modification of pension plans, and the growing trend toward cafeteria style benefits packages which provide incentives for employees to tailor benefits to their particular needs.

The recent firming of interest rates has led to faster growth of interest income. Rental income, however, continues to be somewhat erratic. Rental income includes a large imputation for the rental value of owner occupied housing which complicates the process of developing quarterly estimates. The annual data have also been subject to unusually large revisions, and California's share of the nation's rental income has fluctuated significantly over the past ten years. Against this background, movements in rental income should not be given undue emphasis.

CONSUMER PRICE INDEX
AUGUST 1987
(1967=100)

	United States			Los Angeles			San Francisco		
		% Change from:			% Change from:			% Change from:	
CPI All Urban Consumers	Index	Aug. 86	July 87	Index	Aug. 86	July 87	Index	Aug. 86	July 87
All Items	342.7	0.6	4.3	346.7	0.8	4.8	356.9	0.3	3.3
Food	333.8	0.1	3.4	328.3	0.4	3.6	337.8	-0.1	3.5
Food Away from Home	375.9	0.3	3.9	340.1	-0.1	1.8	359.8	0.3	5.1
Residential Rent	293.1	0.7	4.0	362.5	1.3	5.8	378.6	0.0	3.3
Homeowners' Cost*	125.4	0.8	4.6	133.6	0.7	6.5	140.7	0.9	3.6
Fuel & Other Utilities	391.1	0.8	0.4	374.6	0.2	-2.6	424.7	0.3	-0.4
Apparel and Upkeep	214.7	2.0	3.7	195.5	3.1	7.2	206.9	-0.1	-2.3
Transportation	320.2	0.5	6.3	338.9	0.5	6.1	314.0	0.5	3.8
Medical Care	466.1	0.4	6.5	493.8	0.5	7.0	453.9	0.9	7.7
All Other*	188.8	0.2	4.5	152.5	0.6	2.8	163.8	-0.3	4.1
CPI-Wage Earners	337.4	0.5	4.3	338.8	0.8	4.7	349.9	0.2	3.2
California CPI-U**	355.0	0.6	4.5						
California CPI-W**	343.5	0.6	4.4						

*Alternate Base Year
**Weighted average of Los Angeles and San Francisco indexes.

Source: U.S. Bureau of Labor Statistics.

THE CHANGING DEMOGRAPHIC SCENE

Slow moving yet extremely powerful, demographics is an often overlooked influence on economic trends. In the context of moderate economic growth, this year's sharp drop in unemployment--initially viewed as a statistical fluke but now confirmed by months' of accumulated evidence--is but one element of the changing demographic backdrop to the current economic scene.

Demographics covers a wide variety of social and vital statistics of the population, most of which have implications for the economy. Because changes occur slowly, demographic forces seem to attract little attention in the analysis of current economic conditions, where such elements as interest rates, inventories or the trade deficit seem to be of far more immediate concern.

Yet with the business expansion now entering its sixth year, there is a growing recognition that the current picture differs in several important respects from the cycles of the past two decades. As noted, the jobless rate seems more responsive to economic growth than in the past. Inflation has been better behaved. Consumption patterns seem to have changed in several important ways. Demographics--and in particular the changing age distribution of the population--may be playing an important role in each of these developments.

Last year the popular press focused considerable attention on the aging of the baby boom generation. After all, 1986 was the year that the first baby boomers--usually defined as those born from 1946 through the early '60s--turned forty. Less attention was given another milestone this year, when the crest of the baby boom wave--the 4.3 million born in 1957--turned thirty.

CALIFORNIA POPULATION BY AGE
(Thousands)

				Percent of Total Population		
	1977	1987	1992	1977	1987	1992
15 and under	5,574	6,498	7,294	24.9%	23.7%	24.6%
16-24	4,006	3,889	3,660	17.9%	14.2%	12.3%
25-34	3,698	4,852	4,704	16.5%	17.7%	15.8%
35-54	4,892	6,709	8,202	21.9%	24.5%	27.6%
55-64	2,039	2,400	2,383	9.1%	8.8%	8.0%
65 and over	2,141	3,019	3,435	9.6%	11.0%	11.6%
TOTAL	22,350	27,367	29,678	100.0%	100.0%	100.0%

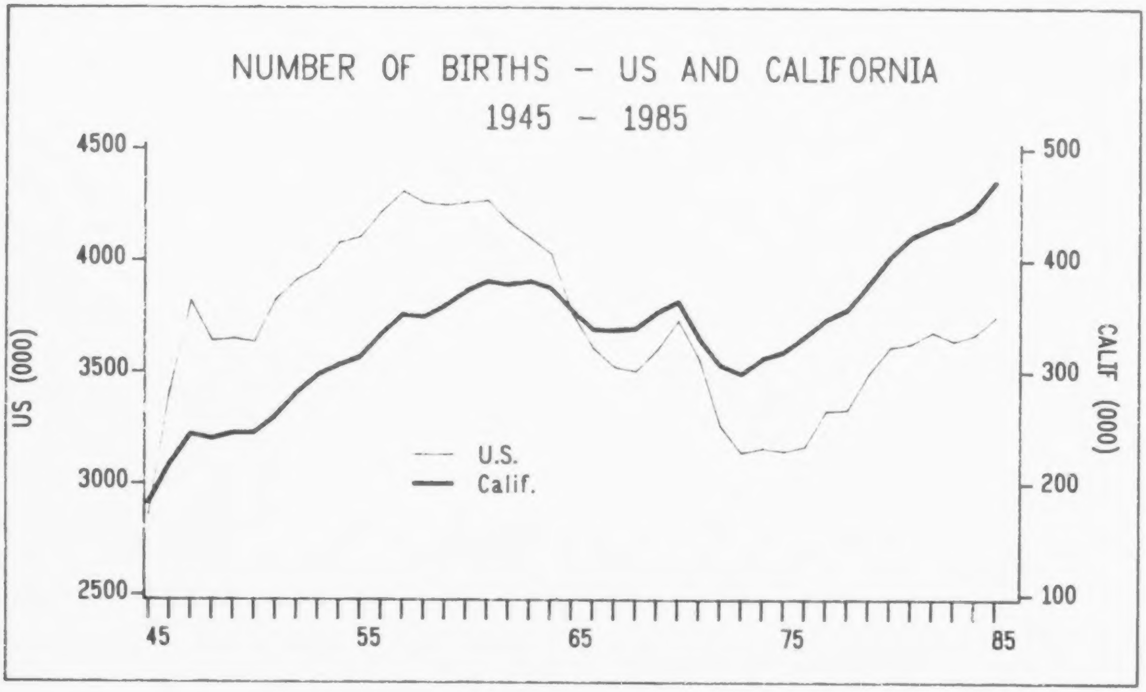
Note: 1987 and 1992 are projected

Source: California Department of Finance
Population Research Unit

In terms of numbers, this year's milestone may be the more important event. The beginning of the baby boom is clearly visible in the birth statistics. With end of World War II, the number of births in the United States jumped from 2.86 million in 1945 to 3.41 million in 1946. The trend continued upward, exceeding 4 million for the first time in 1954, and remaining above that mark through 1964.

The boom was followed by bust. In 1965, births fell to 3.76 million and continued to decline until 1975 when only 3.14 million were born. As the initial baby boomers reached child bearing age, the number of births has increased steadily since then. However, because the birth rate has remained very low--around 15 per 1,000 population compared to 25 at the peak--the current upswing in births is considered an "echo" rather than a second baby boom.

California followed generally the same pattern as the nation from the end of the War to the mid-seventies. The number of births increased sharply in 1946,but in California the boom peak was reached in 1961, four years after the national peak. The continued increase in California births can be attributed to the steady flow of migration, which apart from increasing the population base, also tends to occur more among young adults of child bearing age.



The number of births remained near record levels through 1964, then declined steadily reaching a low of 298,000 in 1973. Continued migration and a changing ethnic composition of the population has resulted in a far more vigorous echo in California than nationally. Births reached a new record level in 1980, and have increased each year this decade, to 471,000 in 1985. Moreover, California's birth rate, which matched the national peak of approximately 25 per 1,000 during the baby boom, is now significantly higher than the national figure at 17 per 1,000 population.

On the accompanying table, the effects of this boom-bust-echo pattern of births can be clearly seen in the age distribution of the population. Thanks to the echo, the proportion of children age 15 and under has changed little over the past decade.

A far more dramatic shift can be seen in the youth population, age 16 through 24. These are the school leavers and new labor force entrants. Their share of the population has fallen from 17.9 percent 10 years ago, to 14.2 percent currently. Moreover, although California's total population has increased by more than 5 million in the past decade, the youth population has actually declined in absolute terms during that period.

The share of young adults age 25 to 34 has increased slightly over the past ten years. But there has been a far more dramatic increase of those in their middle working years--the 35 to 54 age group. Reflecting the relatively small depression era generation, the 55 to 64 group now accounts for a slightly smaller proportion of the population than in 1977.

The basic trend of the past decade is expected to continue for another five years. The Department of Finance's Population Research Unit projects total California population of 29.7 million by 1992, an increase of 8.5 percent over this year's figure. However, there will be a further sharp decline in the youth population, both proportionally and in absolute terms.

The young adult population will also decline, both in relative and absolute terms. This year's 4.85 million 25 to 34 year olds will fall to 4.7 million in 1992. The shrinkage of these two younger groups will have significant implications for housing markets and labor force growth, among other elements in the economy.

In contrast to the decline in the younger age groups, the baby boom will be moving into the middle working age in large numbers. The 35 to 54 group will increase by 1.5 million over the next five years. Meanwhile, the 55 to 64 age group will decline slightly in both absolute and relative terms.

The population over 64 which rose to 11 percent of the population in 1987 from 9.6 percent in 1977 will continue to increase in share, owing to the longer life span. However, the growth of this population will slow through the 90s, reflecting the decline of births during the depression.

After 1992, there will be some subtle changes in these demographic trends. The echo will begin to replenish the youth population, but there will be a further sharp decline in the 25-34 age group. The 35-54 group will continue to grow until the turn of the century. The 55-64 group will stabilize, and the over 64 population will enter a period of very slow growth until the first boomers turn 65 after 2010.

The most immediate and visible economic implication of these trends can be seen in the slowing of labor force growth in the past several years and the sharp decline in the unemployment rate. In California, the jobless rate fell from 6.6 percent at the beginning of 1987 to 5.4 percent in August, the lowest rate since 1970. Given continued moderate economic growth, a jobless rate of 5 percent or less in the next year or so is a distinct possibility.

These labor force effects reflect not only the declining youth population, but also a slowing in the rate of increase in labor force participation among women. The initial entry of the baby boom generation into the workforce in the 60s and 70s was associated with a sharp increase in the proportion of women choosing to work. Among the under 35 age groups, women's participation rates are now approaching those of men, and further increases will now reflect the aging of these high participation cohorts, as there is little scope for a further upward shift in participation among new entrants.

A second far more subtle labor force effect relates to productivity. With large numbers of young, inexperienced workers entering the labor force, it is little wonder that output per hour of work increased very little during the 70s and early 80s. In addition, given the plentiful supply of labor, the ratio of capital to labor--which can be thought of as the tools available to the workforce--increased very slowly during this period of rapid labor force growth.

The rising proportion of the population in their middle working years implies on average a more experienced, and therefore productive, workforce. Moreover, the slowing of labor force growth will probably induce a deepening of the capital stock, further adding to productivity gains.

A declining young adult population will mean fewer new households and a reduced demand for housing. In the late 70s, California's housing stock and the production of new houses probably fell short of demand, much of it demographically based. One result was a rapid increase in house prices as buyers competed for the scarce supply. More recently, new homebuilding has been sufficient to satisfy the demand of new households, and home price increases have moderated.

Consumption patterns are also changing. As fewer households are formed, demand for consumer durables will slow, and--some observers believe--will focus more on upgrading the stock of durable goods. Saving patterns will also change, although no dramatic rise in the household savings rate can be expected for several more years.

Typically, younger households are dissavers--that is, net borrowers-- as they seek to build up a stock of durable goods at a time when their earnings are often lowest. In the middle working years, dissaving stops as incomes rise. But it is only in the 10-15 years prior to retirement that most households begin saving on a large scale. Thus, while the decline in the number of younger households might imply some reduction in borrowing, this is currently being offset by the decline in the over 50 population. Nonetheless, many analysts believe that by the mid-90s the savings rate will rise considerably. If nothing else, the Social Security Trust Funds, currently running surpluses of $25 billion annually, may be in the black by $150 billion or more by 1995. (However, there remains a long term actuarial deficit in the Funds after 2030 when a majority of baby boomers will have retired.)

There are a number of far more subjective factors associated with an aging population. It is speculated, for example, that an older population wishing to preserve what they have, will be less likely to tolerate inflation than were the youth of the 60s and 70s. Others argue that developing labor shortages will result in upward pressure on wages, leading to higher prices. Already, traditional minimum wage jobs in services are commanding upwards of $4 to $5 an hour in many urban areas.

Much of this remains to be seen. It is clear however, that the changing demographic scene is already having a substantial effect on our economy.

EMPLOYMENT
(Seasonally Adjusted)

	1987				1986	Percent Change Sep 1986–Sep 1987
	Sep	Aug	Jul	Jun	Sep	
Civilian Employment (000)	13,026	13,036	13,064	12,989	12,623	3.2
Unemployment (000)	797	739	755	753	869	-8.3
Unemployment rate	5.8	5.4	5.5	5.5	6.4	--
Nonagricultural wage and salary employment [a] (000)	11,827.7	11,795.8	11,775.5	11,727.5	11,291.2	4.8
Mining	38.1	38.3	38.5	38.6	38.4	-0.8
Construction	604.8	603.4	606.2	601.1	535.7	12.9
Manufacturing	2,078.6	2,078.6	2,073.6	2,073.5	2,028.0	2.5
Aerospace [b]	n.a.	755.0	754.9	750.7	759.3	--
Transportation and Public utilities	592.6	591.5	593.6	595.4	578.4	2.5
Trade	2,865.3	2,856.6	2,851.0	2,839.5	2,717.6	5.4
Finance, insurance and real estate	798.5	796.6	795.4	792.1	770.7	3.6
Services	2,952.0	2,944.4	2,938.6	2,920.9	2,769.2	6.6
Government	1,897.7	1,886.3	1,878.6	1,866.3	1,852.8	2.4
Federal	345.6	344.7	343.5	344.0	340.2	1.6
State & local	1,522.1	1,541.6	1,535.2	1,522.3	1,512.6	0.6

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[a] Interim series of wage and salary workers. This unofficial series is adjusted for the latest tabulations of unemployment insurance coverage and approximates what the official data will be when estimates are updated at year end.

[b] The Interim Series does not give a breakdown for aerospace employment. These values are from the EDD official employment series, and are not seasonally adjusted.

HOURS AND EARNINGS IN MANUFACTURING

	1987				1986	Percent Change Aug 1986–Aug 1987
	Aug	Jul	Jun	May	Aug	
Average weekly hours [c]	40.4	40.0	40.5	40.5	40.1	0.7
Average weekly earnings	$435.51	$432.80	$436.59	$432.68	$417.84	4.2
Average hourly earnings	$10.78	$10.82	$10.78	$10.68	$10.42	3.5

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[c] Not seasonally adjusted.

TRADE
(Seasonally Adjusted)

	1987				1986	Percent Change Jul 1986–Jul 1987
	Jul	Jun	May	Apr	Jul	
Retail sales (millions)	15,183	14,968	14,893	15,262	14,235	6.7
New auto registrations (number)	127,696	115,982	111,148	122,638	121,638	5.0

CONSUMER PRICE INDEX
(1967 = 100)

	1987				1986	Percent Change Aug 1986–Aug 1987
	Aug	Jul	Jun	May	Aug	
All Urban Series						
California Average	355.0	352.9	352.1	352.8	339.8	4.5
San Francisco	356.9	356.0	353.5	353.5	345.5	3.3
Los Angeles	346.7	344.1	344.2	345.1	330.9	4.8
Wage Earner and Clerical Worker Series						
California Average	343.5	341.4	340.9	341.4	329.1	4.4
San Francisco	349.9	349.3	347.3	347.0	339.0	3.2
Los Angeles	338.8	336.2	336.3	337.1	323.5	4.7

PRODUCTION

	1987				Percent Change Aug 1986–Aug 1987
	Aug	Jul	Jun	May	
Petroleum (000 barrels daily)	n.a.	n.a.	1,093	1,088	--
Portland cement (000 short tons)	n.a.	915.9	919.5	842.4	--
Selected redwood and whitewood mill production (mil. board feet)	67.0	84.1	81.8	76.3	3.2

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n.a. Not available

CONSTRUCTION

	1987				1986	Percent Change Jul 1986–Jul 1987
	Jul	Jun	May	Apr	Jul	
Private Residential Housing Units Authorized (000) [a]	239.9	265.1	203.3	291.3	287.1	-16.4
Single Units	118.8	137.8	110.9	142.3	148.3	-19.9
Multiple Units	121.1	127.3	92.4	149.0	138.8	-12.8
Residential Building Authorized Valuation (millions) [b]	$1,677	$1,733	$1,394	$1,867	$1,752	-4.3
Nonresidential Building Authorized Valuation (millions) [b]	$1,210	$951	$1,065	$925	$1,137	6.4
Nonresidential Building Authorized Valuation (millions) [c]	$1,245	$1,115	$1,020	$1,005	$1,171	6.3
Commercial	$522	$464	$394	$375	$485	7.6
Industrial	$210	$162	$160	$158	$175	20.2
Other	$223	$242	$219	$168	$201	10.7
Alterations & Additions	$290	$247	$247	$304	$310	-6.5

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[a] Seasonally adjusted annual rate.
[b] Seasonally adjusted.
[c] Not adjusted for seasonal variation.

VACANCY RATES FOR JUNE 1987
(Percent)

	Office			
	Total	Downtown	Suburban	Industrial
Northern & Central California				8.2
Oakland - East Bay	25.3	18.0	27.7	
Sacramento	19.8	9.1	23.3	
San Francisco	17.7	16.8	19.0	
San Jose	24.8	22.9	25.2	
Southern California				6.7
Los Angeles	16.9	14.5	17.5	
Orange County	20.0	n.a.	n.a.	
San Diego	22.4	14.3	26.6	
National Average	20.7	16.3	22.7	

MEDIAN PRICE OF EXISTING SINGLE-FAMILY HOMES [a]

1986	Jun	$137,392		Nov	$129,767	Apr	$137,853
	Jul	$137,117		Dec	$130,565	May	$140,853
	Aug	$135,591	1987	Jan	$126,532	Jun	$141,541
	Sep	$132,743		Feb	$128,372	Jul	$141,599
	Oct	$127,387		Mar	$135,278		

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a/ California Association of Realtors

LEADING INDICATORS

		Manufacturing		New Business Incorporations
		Overtime Hours	Average Weekly Hours	
1986	Sep	3.3	40.3	6,084
	Oct	3.4	40.3	5,608
	Nov	3.4	40.4	4,779
	Dec	3.3	40.1	5,916
1987	Jan	4.2	40.2	5,605
	Feb	3.6	40.3	5,362
	Mar	3.4	40.6	5,967
	Apr	3.3	39.7	4,012
	May	3.7	40.5	4,688
	Jun	3.7	40.4	5,144
	Jul	3.7	40.4	5,327
	Aug	3.6	40.5	4,948

		Unemployment Insurance Initial Claims	Housing Unit Authorizations (Thousands)
1986	Oct	55,164	346.2
	Nov	54,606	290.6
	Dec	59,450	519.1
1987	Jan	57,054	299.1
	Feb	57,270	232.8
	Mar	56,008	292.2
	Apr	53,258	291.3
	May	49,502	203.3
	Jun	52,993	265.1
	Jul	52,319	239.9
	Aug	50,412	n.a.

Note: All data seasonally adjusted.

COINCIDENT INDICATORS

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Thousands)	Insured Unemployment Average Weeks Claimed (Thousands)
1987	Jan	11,607	2,081	6.2	357
	Feb	11,642	2,078	6.2	368
	Mar	11,661	2,075	6.0	394
	Apr	11,694	2,073	5.8	359
	May	11,706	2,072	6.5	335
	Jun	11,728	2,074	5.5	347
	Jul	11,776	2,074	5.5	317
	Aug	11,796	2,079	5.4	331
	Sep	11,828	2,079	5.8	n.a.

		Personal Income (Millions)	Wages & Salaries from Mining, Construction & Manufacturing (Millions)	Taxable Sales (Millions)
1986	Qtr I	$446,160	$70,011	$52,726
	Qtr II	$453,194	$70,937	$53,540
	Qtr III	$455,379	$70,948	$55,310
	Qtr IV	$469,659	$74,898	$55,746
1987	Qtr I	$480,430	$72,453	$55,642
	Qtr II	$491,070	$74,613	$57,502

OTHER INDICATORS

		DOD Prime Contracts (Millions)			Electricity Production (Million Kwh)
1985	Qtr I	7,941	1986	Sep	9,115
	Qtr II	4,057		Oct	9,897
	Qtr III	8,526		Nov	9,607
	Qtr IV	7,828		Dec	9,169
1986	Qtr I	8,173	1987	Jan	9,777
	Qtr II	3,629		Feb	10,626
	Qtr III	8,109		Mar	11,393
				Apr	11,859
				May	10,764
				Jun	10,830

Note: All data seasonally adjusted.

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are production worker man-hours, insured unemployment, manufacturing employment, and taxable sales. These series are discussed in the technical note below.

TECHNICAL NOTE

Whenever appropriate, data used in the charts have been seasonally adjusted. The series on average weekly hours of production workers in manufacturing and production worker man-hours are adjusted by the Bureau of Labor Statistics method. Other series have been adjusted by the Bureau of the Census (Shiskin) method. Persons interested in a detailed description of these methods are referred to the U.S. Department of Labor, Bureau of Labor Statistics, the BLS Seasonal Factor Method (1964); and the U.S. Department of Commerce, Bureau of the Census. Technical Paper No. 15, The X-11 Variant of the Census Method II. Seasonal Adjustment Program (November 1965).

Under the Census Bureau seasonal method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

Production Worker Man-Hours

This series is a substitute for the man-hours in nonagricultural establishments series used in the Census Bureau's publication, Business Cycle Developments. It is the cross product of average weekly hours of production workers in manufacturing and manufacturing employment. Workweek data are a leading indicator. Manufacturing employment appears to be a coincident indicator, although at times it seems to lead economic downturns. Because of this, the man-hours series has been classified in the present publication as a leading indicator.

Insured Unemployment

The series on total insured unemployment is being used rather than the insured unemployment rate included in the Census Bureau's indicator list. The insured rate is available only with a lag of nine months, which precludes its usefulness as a current indicator.

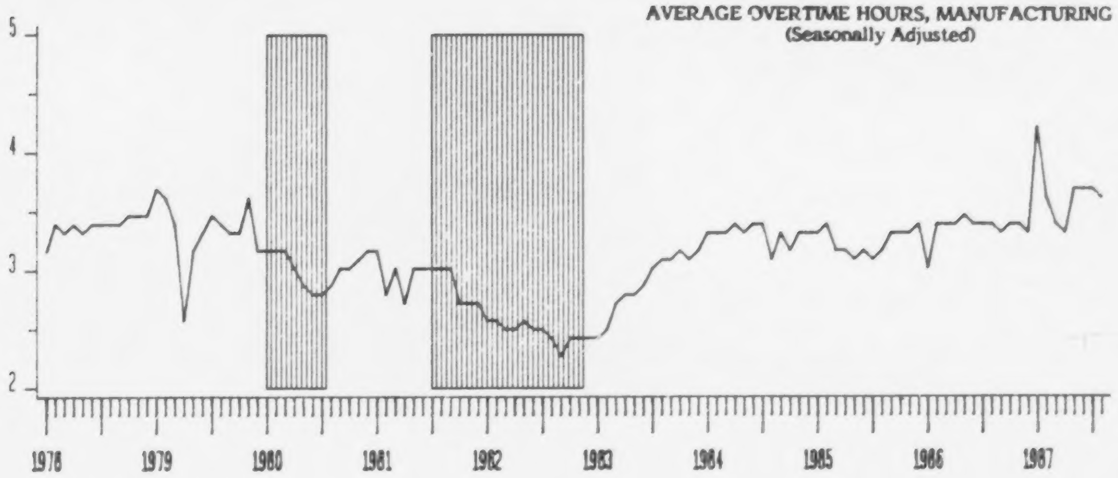
Manufacturing Employment

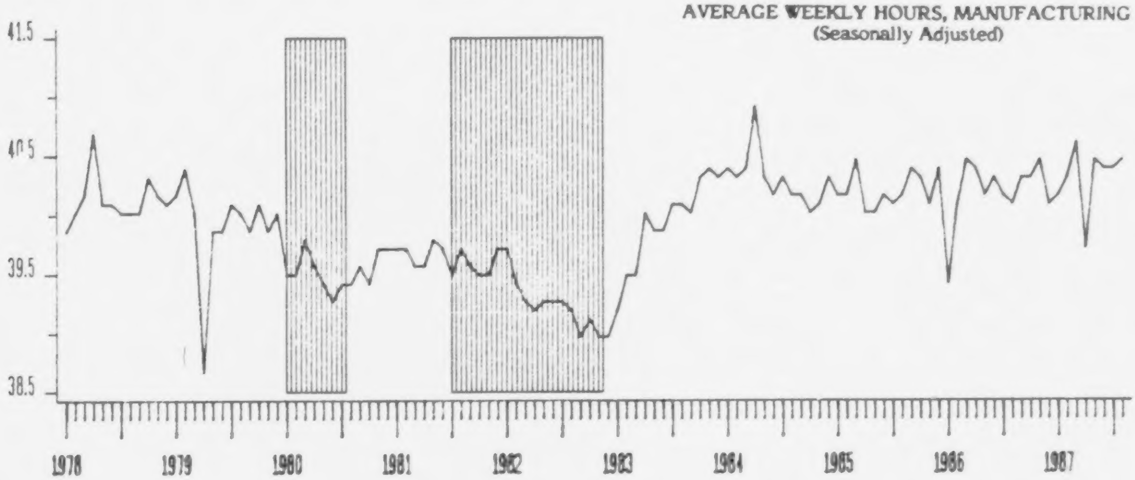
This series is also an addition to the Census Bureau indicator list. It was used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

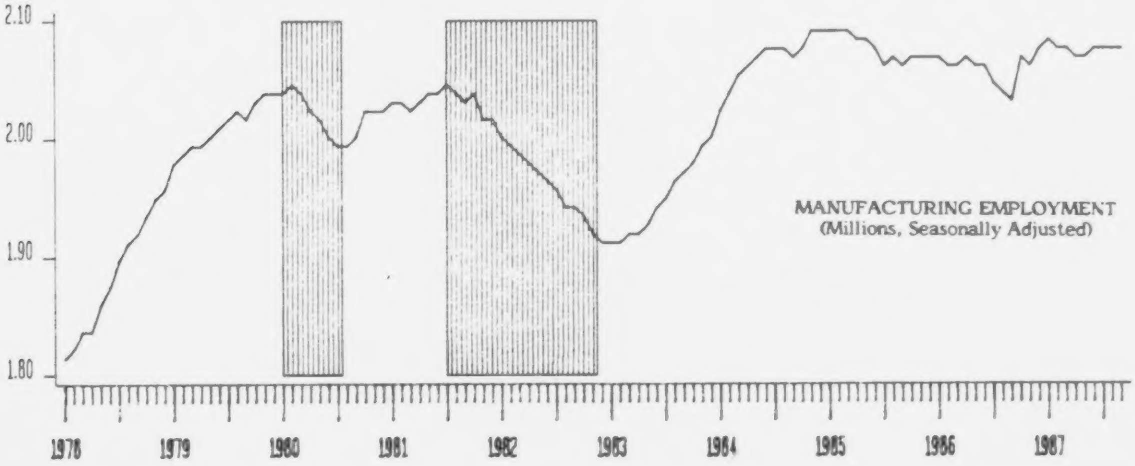
Taxable Sales

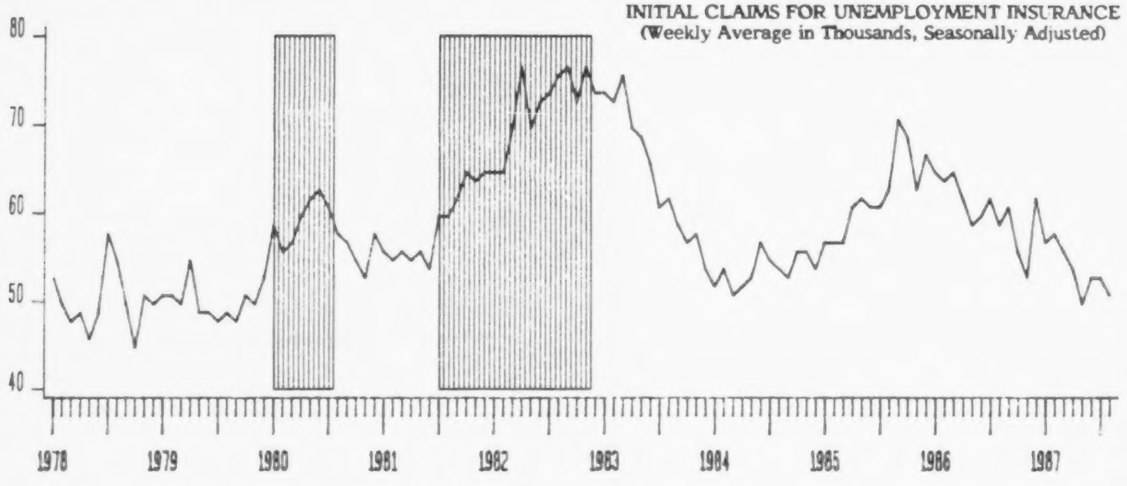
Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is therefore a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950.

The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

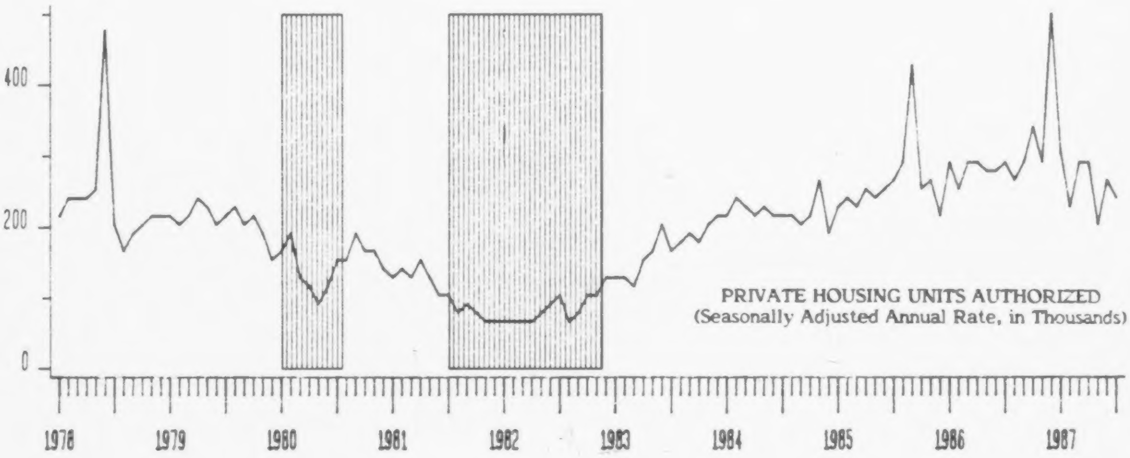

AVERAGE OVERTIME HOURS, MANUFACTURING
(Seasonally Adjusted)


AVERAGE WEEKLY HOURS, MANUFACTURING
(Seasonally Adjusted)

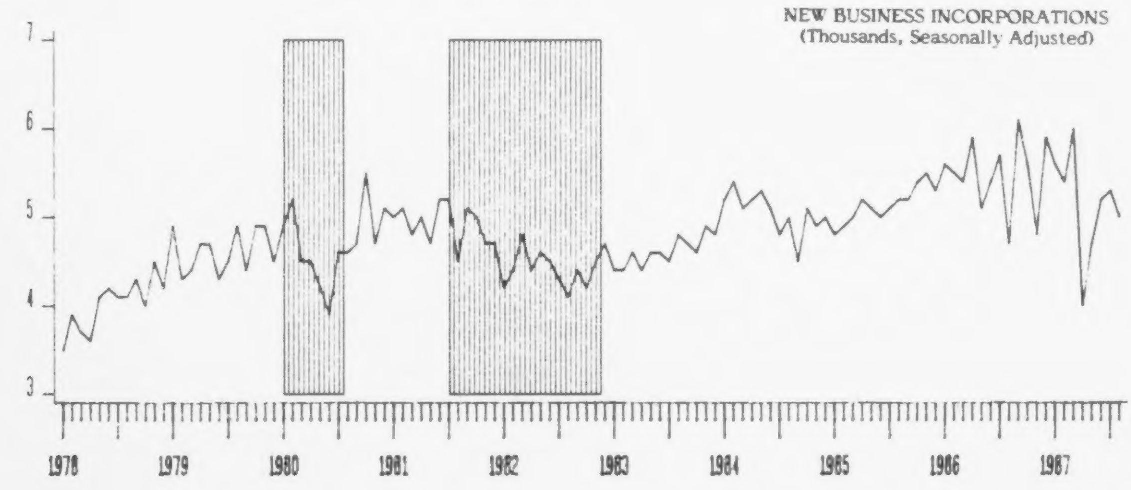

MANUFACTURING EMPLOYMENT
(Millions, Seasonally Adjusted)



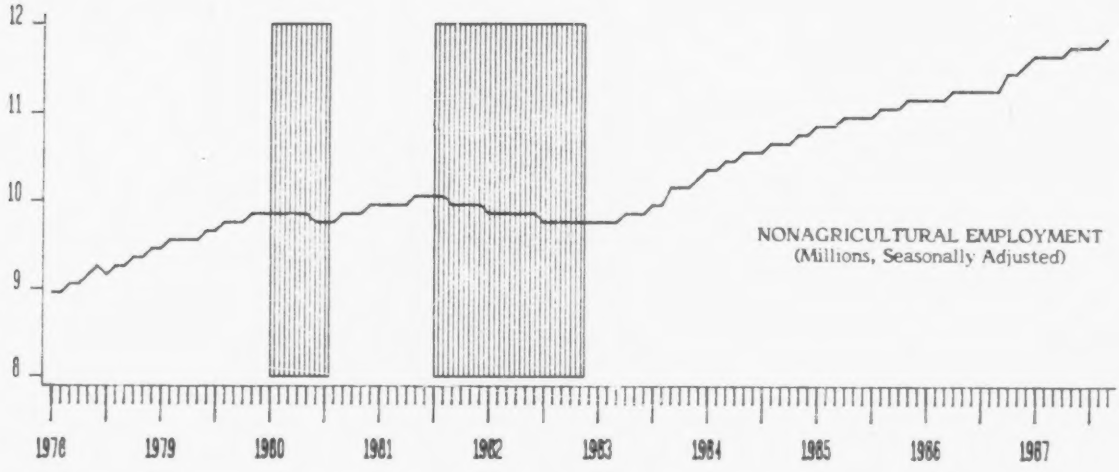
INITIAL CLAIMS FOR UNEMPLOYMENT INSURANCE
(Weekly Average in Thousands, Seasonally Adjusted)



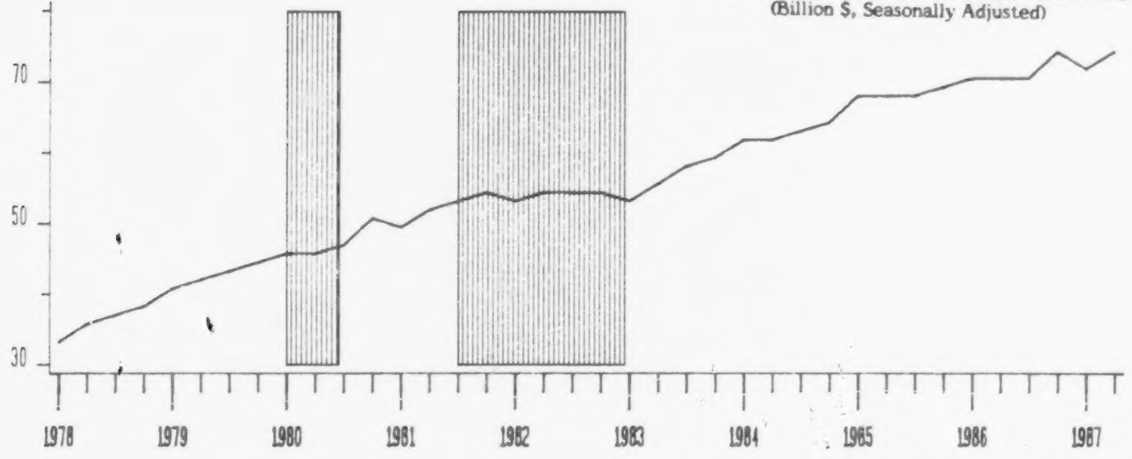
PRIVATE HOUSING UNITS AUTHORIZED
(Seasonally Adjusted Annual Rate, in Thousands)



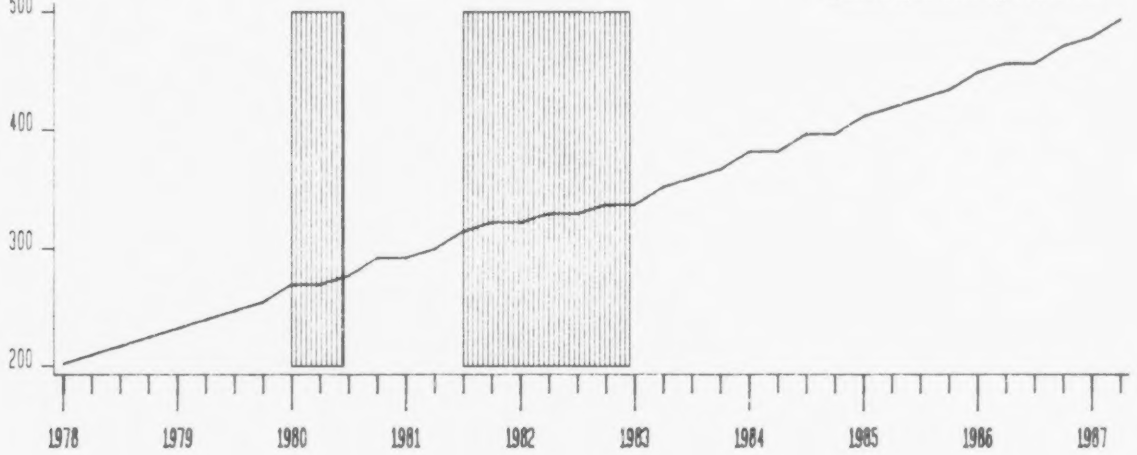
NEW BUSINESS INCORPORATIONS
(Thousands, Seasonally Adjusted)



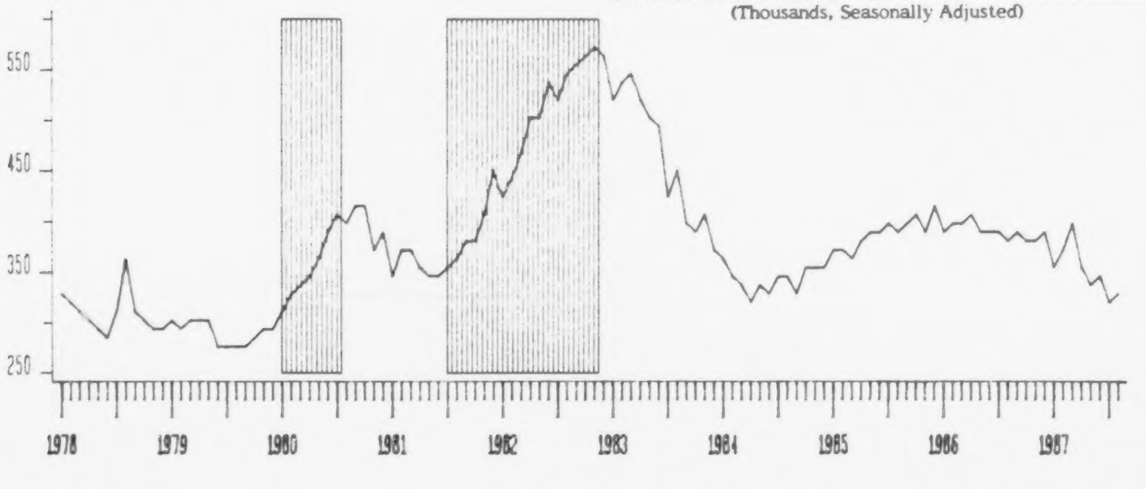
Note: The Los Angeles help wanted ads series is no longer available and it has been omitted from the tables and graphs sections. Similarly, the California index of leading indicators has been dropped from these sections due to the discontinuation of key data series. The construction of the index is being re-examined. Median sales price of existing single-family homes has been added to the tables. Also note, Security Pacific Corporation no longer provides construction valuation data. The Construction Industry Research Board is the current source for this information.



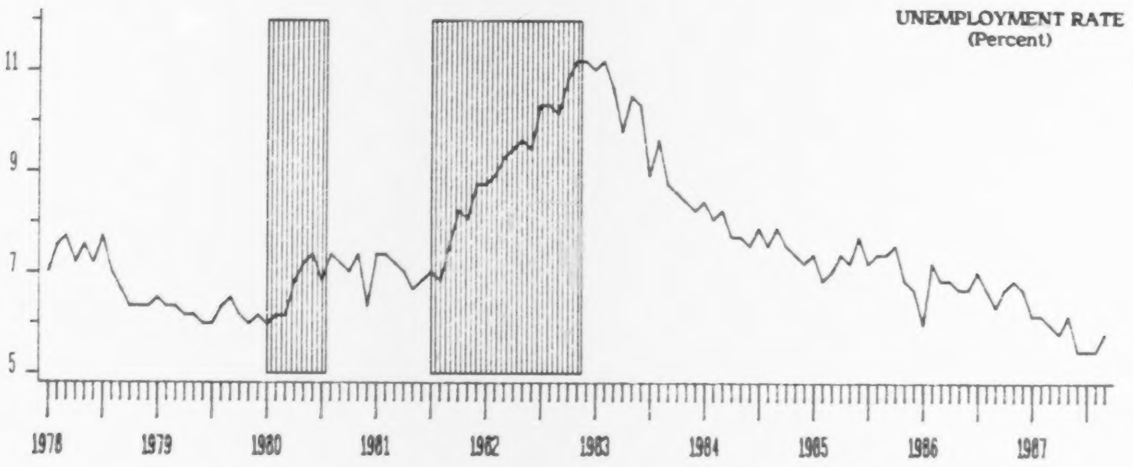
WAGES & SALARIES FROM
MINING, CONSTRUCTION & MANUFACTURING
(Billion $, Seasonally Adjusted)



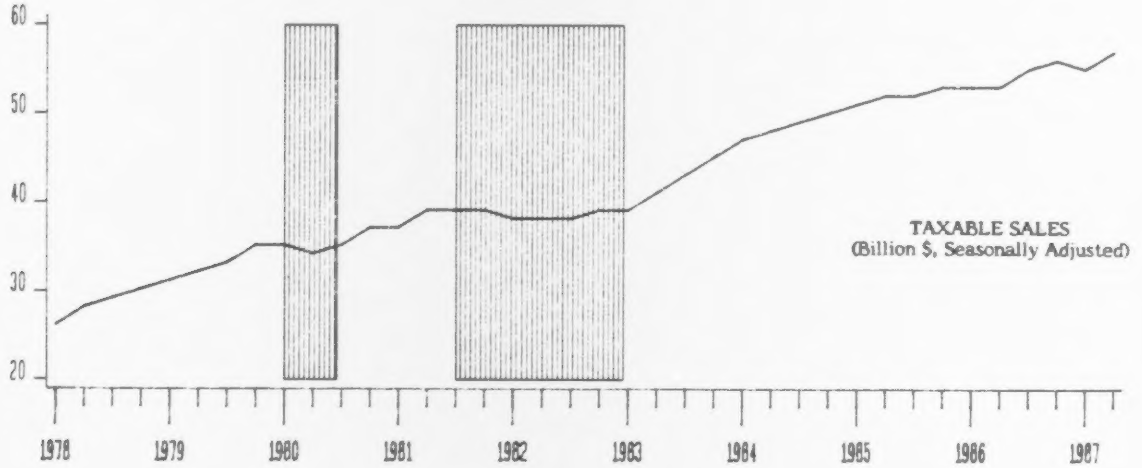
PERSONAL INCOME
(Billion $, Seasonally Adjusted)



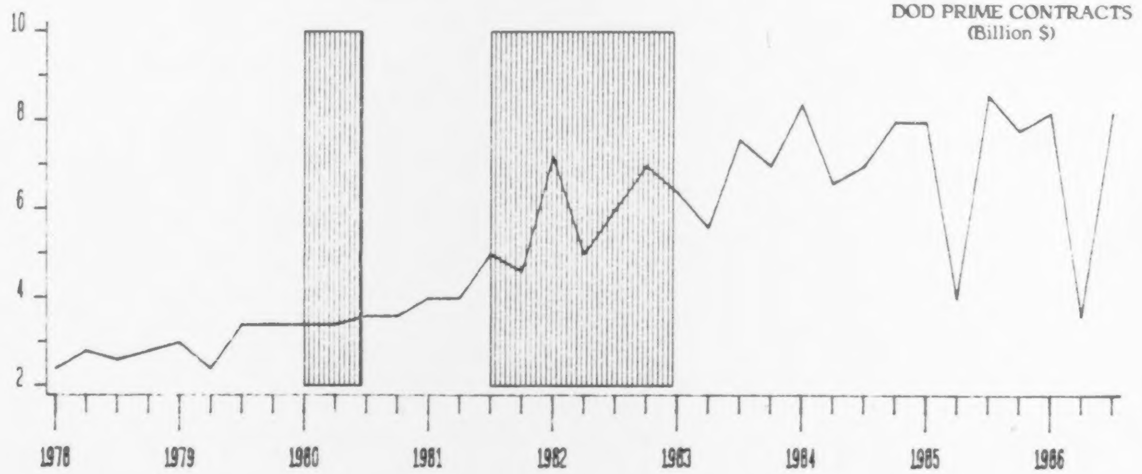
INSURED UNEMPLOYMENT, AVERAGE WEEKS CLAIMED
(Thousands, Seasonally Adjusted)



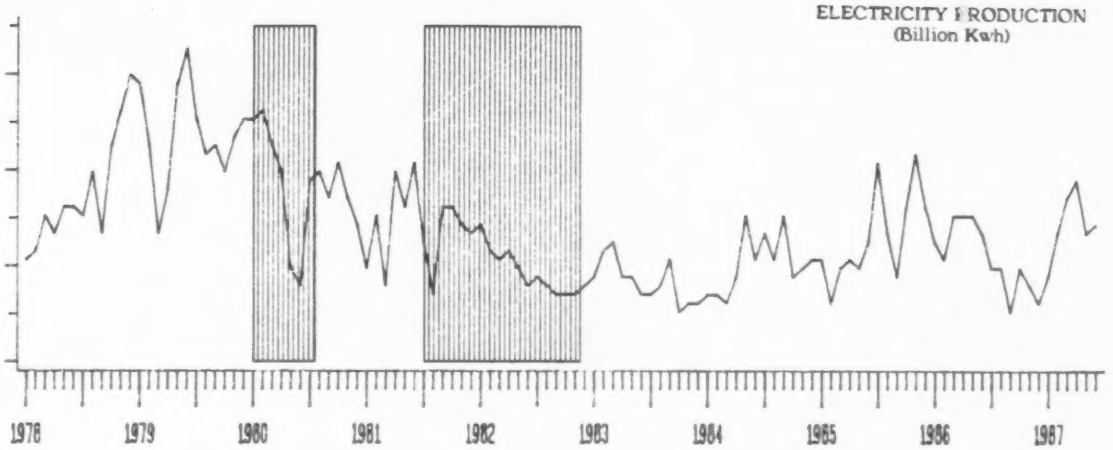
UNEMPLOYMENT RATE
(Percent)

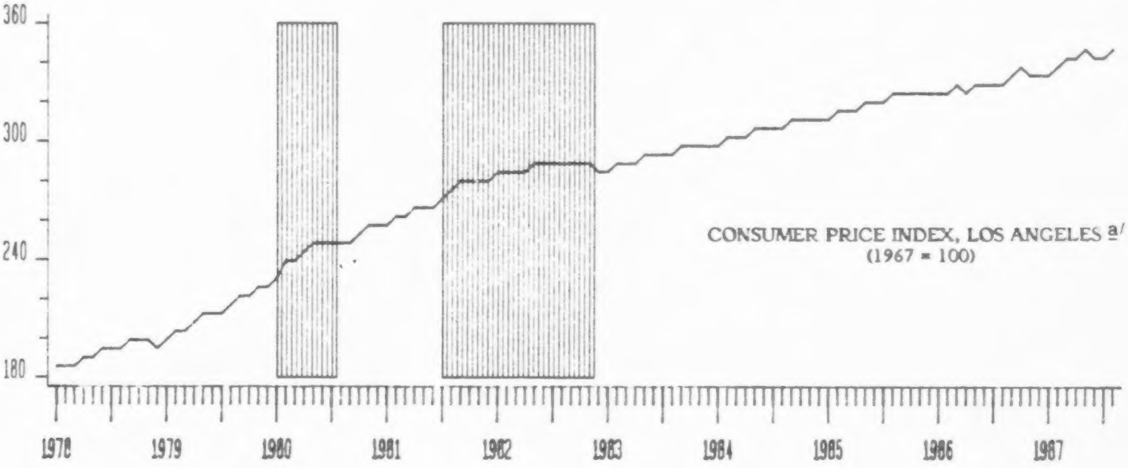


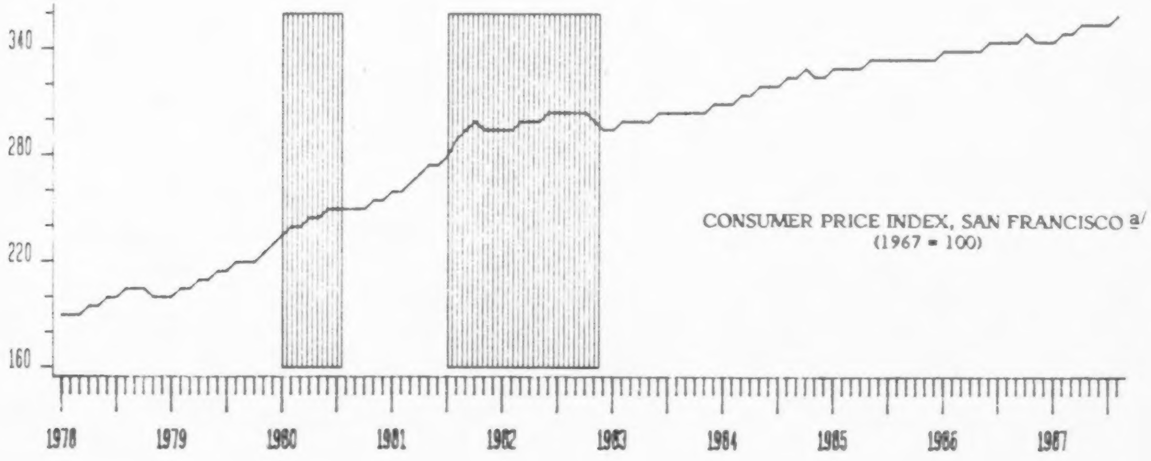
TAXABLE SALES
(Billion $, Seasonally Adjusted)



DOD PRIME CONTRACTS
(Billion $)


ELECTRICITY PRODUCTION
(Billion Kwh)


CONSUMER PRICE INDEX, LOS ANGELES a/
(1967 = 100)


CONSUMER PRICE INDEX, SAN FRANCISCO a/
(1967 = 100)

CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national events of general interest have also been included.

1980

February 25	Prime rate raised to 16-1/2 percent.
February 27	Ceilings on interest rates for government backed mortgages raised to 13 percent.
February 29	Prime rate raised to 16-3/4 percent.
March 4	Prime rate raised to 17-1/4 percent.
March 7	Prime rate raised to 17-3/4 percent.
March 13	Prime rate raised to 18-1/4 percent.
March 14	Announcement of tighter fiscal policies.
March 17	Three percent discount rate surcharge imposed.
March 18	Prime rate raised to 19 percent.
April 2	Prime rate raised to 20 percent.
April 3	FHA mortgages raised to 14 percent.
April 20	Prime rate reduced to 19-1/2 percent.

1980--Continued

April 28	FHA mortgages reduced to 13 percent.
	Prime rate reduced to 18-1/2 percent.
May 5	Prime rate reduced to 18 percent.
May 7	Prime rate reduced to 17 percent.
May 8	Discount rate surcharge reimposed.
May 12	Prime rate reduced to 16-1/2 percent.
May 19	Prime rate reduced to 16 percent.
May 28	Discount rate lowered to 12 percent. Some conventional mortgage rates fell to 12 percent.
June 25	Carpenters strike in Northern California ended.
July 3	ICC begins trucking industry deregulation.
July 21-October 23	Motion picture and television industry strike.

1980--Continued

July 22	Prime rate reduced to 11 percent.
July 25	Prime rate reduced to 10-3/4 percent.
July 28	Discount rate reduced to 10 percent.
August 5	Prime rate raised to 11 percent.
August 27	Prime rate raised to 11-1/2 percent.
September 5	FHA mortgage interest rate raised from 11-1/2 to 12 percent.
September 12	California morgage rate raised from 13-1/2 percent to 13-3/4 percent.
September 25	Pacific Southwest Airlines (PSA) pilots strike begins.
September 26	Discount rate raised from 10 to 11 percent. Prime rate raised from 12-1/2 percent to 12-3/4 percent.
October 2	Prime raised from 13 to 13-1/2 percent.
October 3	Prime raised to 14 percent.
October 15	AFTA workers return to work.
October 30	Prime raised from 14 to 14-1/2 percent.
November 7	Prime raised from 14-1/2 to 15-1/2 percent.
November 14	PSA pilots strike ends.

1980--Continued

November 17	Prime raised to 16 1/4 percent. Discount rate raised from 11 to 12 percent and surcharge imposed.
November 21	Prime raised to 17 percent.
November 28	Prime raised to 17-3/4 percent.
December 3	Prime raised from 17-3/4 to 18-1/2 percent.
December 5	Discount rate raised from 12 to 13 percent. Prime raised to 19 percent.
December 11	Prime raised to 20 percent.
December 17	Prime raised from 20 to 21 percent.
December 23	Prime lowered from 21 to 20-1/2 percent.

1981

January 1	Minimum wage raised from $3.10 to $3.35.
January 6	Prime lowered to 20 percent.
January 20	American hostages released from Iran.
January 20	Ronald Reagan inaugurated as 40th President of the U.S.
January 28	Deregulation of oil and gas industry announced, effective immediately.
January 29	Prime rate lowered to 19-1/2 percent from 20 percent.

CHRONOLOGY--Continued

1981--Continued

February 16	General Motors and Ford rebate plans announced.
February 23	Prime rate lowered to 18 percent.
March 2	Prime rate lowered to 18-1/2 percent.
March 10	Prime rate lowered to 18 percent.
March 16	Prime rate lowered to 17-1/2 percent.
March 18	Prime rate lowered to 17 percent.
March 26-June 8	United mine workers strike.
April 13	Prime rate raised to 17-1/2 percent.
April 29	Prime rate raised to 18 percent.
May 4	Prime rate raised to 19 percent.
May 5	Discount rate raised from 13 percent to 14 percent.
May 8	FHA-VA rate up to 15-1/2 percent from 14-1/2 percent.
May 11	Prime rate raised to 19-1/2 percent.
May 22	Prime rate raised to 20 percent.
May 27	OPEC fails to agree on a uniform price schedule. OPEC officials freeze prices at current level.

1981--Continued

June 5	Dollar reaches highest level in international trading since December 1971.
July 8	Prime rate raised to 20-1/2 percent.
August 3 Jan. 17, 1986	Professional Air Traffic Controller's Organization strike.
August 14	President Reagan signs both the tax- and budget-cut bills into law.
August 18	FHA-VA rate up to 16-1/2 percent from 15-1/2 percent.
September 1	Prime rate lowered to 20 percent.
September 21	Prime rate lowered to 19-1/2 percent.
September 22	Fed surcharge cut to 3 percent from 4 percent.
October	Introduction of All Savers Certificates to stimulate savings.
October 6	Prime rate lowered to 19 percent.
	Egyptian President Sadat assassinated.
October 13	Prime rate lowered to 18 percent.
October 30	OPEC price set at $34.00/barrel--the Saudi benchmark.
November 1	Passbook interest rate raised 1/2 percent to 5-3/4 percent.

CHRONOLOGY--Continued

1981--Continued

November 2	Fed discount rate cut from 14 percent to 13 percent.
	Prime rate lowered to 17-1/2 percent.
November 10	Prime rate lowered to 17 percent.
November 13	Prime rate lowered to 16-1/2 percent.
	FHA mortgage rate lowered to 15-1/2 percent.
November 16	Prime rate lowered to 16 percent.
November 17	Fed eliminates 2 percent surcharge. Discount rate unaffected.
December 1	Prime rate lowered to 15-1/2 percent.
December 4	Fed discount rate lowered from 13 percent to 12 percent.
December 12	Martial law imposed in Poland.

1982

January 22	Federal funds rate raised to 13-1/2 percent.
January 25	FHA mortgage rate increased from 15-1/2 percent to 16-1/2 percent.
January 27	Federal funds rate raised to 13-3/4 percent.

1982--Continued

February 2	Prime rate raised to 16-1/2 percent by Citibank and Crocker.
February 18	Prime rate increased to 17 percent.
February 24	Prime rate cut back to 16-1/2 percent.
March 1	Ford-UAW Pact ratified. Workers give up two weeks of paid time off and annual 3 percent raises.
March 8	Prime rate lowered to 16 percent.
March 16	Prime rate back up to 16-1/2 percent.
April 1	OPEC cuts production to 17.5 million barrels from current 18.2. Saudi bench mark set at $34/barrels.
April 5	Unemployment rate nationally hits 9.0 percent tying the post-WW II high in May 1975.
April 12	General Motor and United Auto Workers labor agreement approved.
April 26	The U.S. consumer price index declined 0.3 percent--the first decline in 17 years and the largest drop in nearly a quarter of a century.
May 7	U.S. unemployment rate reaches 9.4 percent for a post-WW II record.

1982--Continued

May 13	Braniff Air Lines ceases operation.
June 25	Secretary of State Alexander Haig resigns.
June 28	U.S. Supreme Court rules that federally chartered savings and loan associations cannot be prohibited from enforcing due-on-sale clauses in their mortgage contracts.
July 20	Discount rate lowered from 12 percent to 11-1/2 percent. Prime rate lowered from 16-1/2 percent to 16 percent.
July 27	Prime rate lowered to 15-1/2 percent.
August 2	Discount rate lowered to 11 percent. Prime rate lowered to 15 percent.
August 9	Unemployment rate reached 9.8 percent in July--the highest level since a 9.9 percent rate in 1941.
August 16	Discount rate cut from 11 percent to 10-1/2 percent. Most major banks lower their prime lending rates to 14-1/2 percent.
August 18	Dow Jones Industrial Average rose 38.81 points--an all-time record.
August 19	The stock market trading soared to a record 132,690,000 shares.
August 27	Discount rate lowered to 10 percent. Prime rate lowered to 13.5 percent.

1982--Continued

November 23	Prime rate lowered from 12 percent to 11-1/2 percent.
December 13	Discount rate cut to 8-1/2 percent.
December 14	Introduction of money market deposit accounts by banks and S&Ls.

1983

January 5	Super NOW accounts introducted.
January 11	Prime rate lowered to 11 percent.
January 31	Independent truckers strike begins.
February 10	Independent truckers strike end.
February 15	Toyota/GM agreement to build a small car in late 1984.
February 25	Prime rate lowered to 10-1/2 percent.
March 14	OPEC sets $29 per barrel benchmark price and production quota of 17.5 million barrels.
May 2	A 6.5 magnitude earthquake strikes the town of Coalinga.
	An earthquake measuring 6.5 on the Richter scale strikes Coalinga, California.
June 8	The maximum rate on government-backed mortgages was raised from 11-1/2 percent to 12 percent.
June 18	Paul Volcker reappointed as Federal Reserve Board Chairman.

1983--Continued

June 24	The Federal Budget deficit totalled a record $29.29 billion in May.
July 7	The maximum rate on government-backed mortgages was raised from 12 percent to 12-1/2 percent.
July 13	Chrysler Corporation announced it will repay the remaining $800 million in federally guaranteed loans by September, seven years before they are due.
July 25	The Washington Public Power Supply System defaulted on $2.25 billion in bonds, creating the largest municipal default in U.S. history.
August 1	California's $1.2 billion offering of revenue-anticipation notes, the State's largest note issue, drew strong investor interest. Notes totalling $700 million, maturing next April and June, were oversubscribed.
August 2	The maximum rate on government backed mortgages rose from 12-1/2 percent to 13-1/2 percent.
August 7-August 28	The Communications Workers of America and two other unions strike AT&T.
August 8	Prime rate raised from 10-1/2 percent to 11 percent by most major banks.

1983--Continued

August 23	The maximum rate on government backed mortgages fell from 13-1/2 percent to 13 percent.
September 1	Soviet Union shoots down Korean Airlines Flight 007, New York to Seoul, near the Soviet Island of Salhalin, just north of Japan.
November 1	Maximum rate on VA & FHA mortgages lowered from 13 percent to 12.5 percent.
November 3-December 21	Strike against Greyhound Lines Inc.
December 1	FHA mortgage interest rates begin to float. VA rates are still pegged.

1984

January 3	Breakup of AT&T becomes effective.
February 2	Contemporaneous reserve accounting is required by Fed for all but the very small deposit-taking institutions.
March 19	Prime rate raised from 11 percent to 11-1/2 percent.
March 20	Maximum rate on VA loans raised from 12-1/2 to 13 percent.
April 4	Prime rate raised from 11-1/2 percent to 12 percent.
April 9	Discount rate raised from 8-1/2 percent to 9 percent; the first change in 3 years.
May 5	Prime rate raised from 12 percent to 12-1/2 percent.

CHRONOLOGY--Continued

1984--Continued

June 26	Prime rate raised from 12-1/2 percent to 13 percent.
September 3 - December 7	Hotel and restaurant strike - San Francisco.
September 15 - October 14	UAW-General Motors strike.
September 28	Prime rate reduced from 13 percent to 12-3/4 percent.
October 16	Prime rate reduced from 12-3/4 percent to 12-1/2 percent.
October 28	Prime rate reduced from 12-1/2 percent to 12 percent.
November 7	Prime rate reduced from 12 percent to 11-3/4 percent.
November 21	Discount rate reduced from 9 percent to 8-1/2 percent.
November 28	Prime rate reduced from 11-3/4 percent to 11-1/4 percent.
December 17	Prime rate reduced from 11-1/4 percent to 10-3/4 percent.
December 24	Discount rate reduced from 8-1/2 percent to 8 percent.

1985

January 1	Federal price controls removed from approximately half of the natural gas produced in the United States.

1985 Continued

January 15	Prime rate reduced from 10-3/4 percent to 10-1/2 percent.
March 9	Home State Savings Bank Cincinnati, Ohio closed.
March 15	Seventy Ohio thrift institutions closed to prevent run on deposits.
March 25	Maximum rate on VA loans raised from 12-1/2 percent to 13 percent.
May 2	Auto manufacturer's initiate low interest loan programs.
May 17-June 14	United Airlines--Air Pilots Association strike.
May 17	Prime rate reduced from 10-1/2 percent to 10 percent.
May 20	Dow Jones Industrials close above 1,300 for the first time.
May 29	Presidents' tax reform plan unveiled.
June 18	Prime rate reduced to 9 1/2 percent from 10 1/2 percent.
July 16	Conventional mortgage rates fell to 12.03 percent average--the lowest since October 1979.
July 22-October 16	8,200 steelworkers on strike at Wheeling Pittsburgh--the industry's first major walkout in 26 years.
August 15	GM announces 7.7 percent financing rate program to run through October 2nd.

CHRONOLOGY--Continued

1985--Continued

August 20	Ford and Chrysler announce incentive plans including low interest loans and rebates on 1985 autos.
September 4	The Farm Credit System seeks a Federal bailout of its $74 billion loan portfolio.
September 15	A State Department of Housing and Community Development regulation requiring equal access on accessible levels of apartment houses with five or more units, for handicapped persons, went into effect.
September 16	Saudi Arabia announces plans to boost oil production and cut prices.
September 22	G-5 agreement to push the dollar lower.
November 7	Dow Jones Industrials close above 1400 for the first time.
December 10	World oil prices fall by more than a dollar after OPEC decides to abandon price supports.
December 12	President Reagan signs the budget deficit bill into law, raising the debt ceiling to $2 trillion and setting deficit targets for each year through 1991.
December 23	President Reagan signs the farm subsidy bill into law, creating a 5-year plan to bail out the Farm Credit System.

1986

January 1	Ceiling on Super NOW accounts was removed.
January 17	United Steel workers leaders agreed to allow rank-and-file members to vote on labor contracts for the first time in the union's history.
January 28	Space shuttle Challenger explosion destroys the spacecraft. Seven crew members died.
February 26	Corazon Aquino takes over Phillipines as the new president.
March 3	Dow Jones Industrials close above 1700 for the first time.
March 4	Yields on 10-year Treasury Notes fall below 8 percent for the first time in eight years.
	Oil prices fall to $12 per barrel.
March 7	The discount rate reduced from 7-1/2 percent to 7 percent, following similar cuts by Germany & Japan.
March 21	Dow Jones Industrials close above 1800 for the first time.
	Conservative Chirac appointed as Prime Minister of France.
March 25	U.S. warplanes attacked two Libyan ships and a shoreline missile site after Libyan missiles were fired at U.S. planes in the Gulf of Sidra.
April 1	Interest ceilings on passbook saving accounts ended.

CHRONOLOGY--Continued

	1986--Continued
April 1	Oil prices fall to under $11 per barrel.
April 14	U.S. air strike against Libya.
April 21	U.S. Dollar reaches a post-WWII low against the Yen at 168.60.
	Discount rate cut from 7 percent to 6-1/2 percent.
April 23	Paul Volcker warns of public and private debt buildup as a threat to the economy.
April 25	Soviet nuclear piant at Chernobyl destroyed by fire.
May 12	U.S. dollar falls to 159.95 Yen.
May 22	U.S. proposes 35 percent tariff on Canadian cedar shakes and shingles for roofing, leading to a trade dispute between the U.S. and Canada.
June 1-June 26	CWA strike at AT&T.
July 7	The U.S. Supreme Court ruled that the Gramm-Rudman-Hollings mechanism for across the-board, automatic spending cuts was unconstitutional.
July 7	The Dow Jones Industrial average was down a record 61.87 points.

	1986--Continued
July 10	The Fed lowered the discount rate from 6-1/2% to 6%.
August 1	United steelworkers strike for the first time since 1959. 44,000 workers were involved.
August 20	The discount rate was reduced from 6 percent to 5-1/2 percent.
August 27	The prime rate was cut to 7-1/2 percent from 8 percent.
August 28	General Motors Corp. introduces a new incentive program to lure consumers by an unprecedented auto loan rate of 2.9 percent.
September 4	Stock market prices soared as the Dow Jones Industrial average jumped 38.38 points to a closing record of 1919.17.
September 5	California bank and corporation tax law was amended to provide for a "Waters-Edge" election. This is an alternate treatment of taxable income.
September 11	The Dow Jones Industrial average plummeted a record 86.61 points, or 4.61 percent to 1792.89.
October 22	President Reagan signs the tax reform bill into law, the first full scale remodification since 1954.
October 27-December 13	Union employees from Kaiser Foundation Hospital, Kaiser Permanente Medical Group, Inc. & Kaiser Foundation Health Plan strike

CHRONOLOGY--Continued

1986--Continued

November 1	The savings bond rate dropped from 7-1/2 percent to 6 percent, affecting new issues only.

1987

January 1	California Legislature approved a measure, effective Jan. 1, 1987, giving school districts the local option to access $1.50 per square foot on new residental construction and $.25 per square foot on new nonresidential construction.
	Fannie Mae raises mortgage ceiling to $153,100 from $133,250.
	OPEC's 7 percent production cut went into effect. U.S. oil prices hit $18 per barrel.
January 8	The Dow Jones Industrial average topped the 2000 mark.
January 19	The Dow Jones Industrial average topped the 2100 mark.
	The California Trade Office opened in Tokyo.
	The dollar fell to a record low against the yen--150.49 yen to the dollar.
January 22	The Dow Jones Industrial average posted a record 51.60 percent gain to a new high of 2145.67.

1987--Continued

February 5	Brazil suspends interest payments on commercial debt.
	The Dow Jones Industrial average topped the 2200 mark.
March 5	Ecuador is rocked by severe earthquake.
March 16	Fannie Mae announces it will not enter home equity loan market.
March 20	The Dow Jones Industrial average topped the 2300 mark.
March 24	U.S. dollar falls to post WW II low--148.5 yen to the dollar.
April 1	The prime rate increased from 7-1/2 to 7-3/4 percent.
April 6	The Dow Jones Industrial average topped the 2400 mark.
April 13	The California Trade Office opened in London.
May 1	The prime rate was increased from 7-3/4 percent to 8 percent.
May 5	Immigration amnesty program in effect.
May 7	The Farm Credit System formally asked Congress for a $6 billion loan from the Treasury.
May 15	The prime rate was increased to 8-1/4 percent from 8 percent.
May 17	The U.S.S. Stark was struck by an air-launched Iraqi missile in the Persian Gulf.

1987 (Continued)

June 1	Penalties in place for employers of illegal aliens.
July 17	Dow Jones Industrials close over 2,500 for the first time.
July 22	Kuwaiti tankers placed under U.S. flag for transit through Persian Gulf.
August 10	Dow Jones index closes over 2,600 for 1st time.
August 11	Alan Greenspan sworn in as Chairman of the Federal Reserve Board.
August 17	Dow Jones index closes over 2,700 for 1st time.
September 4	Discount rate raised from 5-1/2 percent to 6 percent. Prime rate raised from 8-1/4 percent to 8-3/4 percent.
October 1	Severe earthquake hits Southern California. Epicenter near Whittier.
October 7	Prime rate raised from 8-3/4 percent to 9.25 percent.

REFERENCE DATES OF UNITED STATES BUSINESS CYCLES, 1854-1982

Initial Trough	Peak	Terminal Trough	Expansion (months)	Contraction (months)	Total (months)
Dec. 1854	June 1857	Dec. 1858	30	18	48
Dec. 1858	Oct. 1860	June 1861	22	8	30
June 1861	April 1865	Dec. 1867	46	32	78
Dec. 1867	June 1869	Dec. 1870	18	18	36
Dec. 1870	Oct. 1873	March 1879	34	65	99
March 1879	March 1882	May 1885	36	38	74
May 1885	March 1887	April 1888	22	13	35
April 1888	July 1890	May 1891	27	10	37
May 1891	Jan. 1893	June 1894	20	17	37
June 1894	Dec. 1895	June 1897	18	18	36
June 1897	June 1899	Dec. 1900	24	18	42
Dec. 1900	Sept. 1902	Aug. 1904	21	23	44
Aug. 1904	May 1907	June 1908	33	13	46
June 1908	Jan. 1910	Jan. 1912	19	24	43
Jan. 1912	Jan. 1913	Dec. 1914	12	23	35
Dec 1914	Aug. 1918	March 1919	44	7	51
March 1919	Jan. 1920	July 1921	10	18	28
July 1921	May 1923	July 1924	22	14	36
July 1924	Oct. 1926	Nov. 1927	27	13	40
Nov. 1927	Aug. 1929	March 1933	21	43	64
March 1933	May 1937	June 1938	50	13	63
June 1938	Feb. 1945	Oct. 1945	80	8	88
Oct. 1945	Nov. 1948	Oct. 1949	37	11	48
Oct. 1949	July 1953	May 1954	45	10	55
May 1954	Aug. 1957	April 1958	39	8	47
April 1958	April 1960	Feb. 1961	24	10	34
Feb. 1961	Dec. 1969	Nov. 1970	106	11	117
Nov. 1970	Nov. 1973	March 1975	36	16	52
March 1975	Jan. 1980	July 1980	58	6	64
July 1980	July 1981	Nov. 1982	12	16	28

SOURCES OF STATISTICAL SERIES

Employment Development Department Employment Data and Research	Civilian Employment Unemployment Unemployment rate Nonagricultural employment Manufacturing employment Hours and earnings Nonagricultural placements Initial claims for unemployment insurance Insured unemployment Index for production worker hours
Department of Industrial Relations Division of Labor Statistics and Research	California consumer price index
Department of Finance	Personal income Wages and salaries Index of leading indicators
Department of Motor Vehicles	New auto registrations
State Board of Equalization	Taxable sales
Security Pacific National Bank	Housing units authorized Valuation of nonresidential construction
U.S. Department of Commerce	Retail sales
U.S. Bureau of Labor Statistics	Consumer price indices
U.S. Department of Defense	Prime defense contracts
U.S. Department of Energy	Electricity production
California Redwood Association	Lumber production
Conservation Committee of California Oil Producers	Petroleum production
American Iron and Steel Institute	Steel production
U.S. Bureau of Mines	Cement production
California Secretary of State	New business incorporations
Federal Reserve Bank of San Francisco	Demand deposits Commercial and industrial loans
Coldwell Banker	Vacancy Rates

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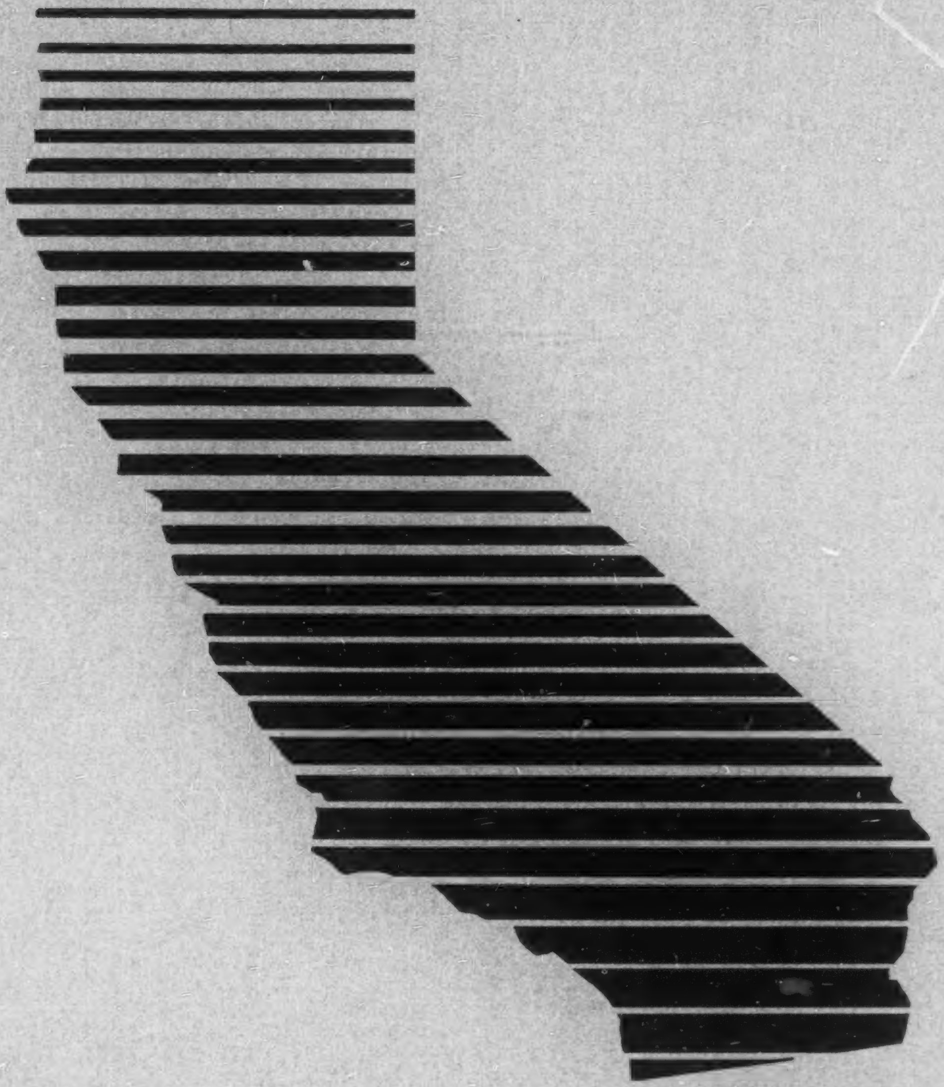
CALIFORNIA ECONOMIC INDICATORS

November 1987



DEPARTMENT OF FINANCE

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INTRODUCTION

California Economic Indicators is a bimonthly summary of economic trends and data relating to the State of California. Generally patterned after the U.S. Bureau of Economic Analysis publication Business Conditions Digest, the report contains regular features.

Developments in California over the most recent months are reviewed in a brief text, and then summarized in current data tables which show changes over the previous year. Charts containing monthly and quarterly series from 1978 are included to facilitate the review of current developments, and to appraise the significance of the developments on the State economy. Much of the data in the report has been seasonally adjusted by the source agency or the Department of Finance.

Reference dates for U.S. business cycles, as determined by the National Bureau of Economic Research, are also shown. Finally, sources are cited on the inside back cover to assist readers in obtaining any additional information on the statistical series published.

The Department of Finance welcomes suggestions on additions or changes which would make the Indicators a more useful publication. Correspondence should be addressed to State of California, Department of Finance, Financial Research Unit, 1025 P Street, Sacramento, CA 95814.

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January	$8.00
March	6.75
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July	4.05
September	2.70
November	1.35

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REVIEW OF ECONOMIC DEVELOPMENTS

What effect will the recent financial markets turmoil have on the California economy? The short answer is, it's too soon to say with any certainty. It seems likely that the direct impact on the financial industry will be considerably less in California than in eastern financial centers where the bulk of financial transactions are carried.

Beyond that, the critical question is how the consumer will react to the decline in equity prices. If the drop is perceived merely as a correction in over-valued share prices, the impact on confidence and spending is likely to be minor. There are sound reasons for the public to take this view. In terms of company earnings, most analysts viewed the stock market as fully valued at its late 1986 levels, and following the recent slump, the averages are now little changed from the year earlier readings.

Nonetheless, the suddenness of the drop in stock prices--and the inevitable comparisons with 1929--could well have a dampening effect on both consumer and business confidence, leading to a retrenchment in spending and investment. Fortunately, the admittedly scant evidence to date would suggest that confidence has not been seriously undermined. Press reports indicate that California retailers were not disappointed with sales during the crucial Thanksgiving weekend, and indeed several were pleasantly surprised. Moreover there is no indication of any abrupt change in business investment plans over the last few weeks.

Still, the evidence is far from conclusive. Consumer confidence survey readings fell sharply in late October and did not recover in November. Predictably, car sales dropped when incentives were withdrawn in October, and although cut-rate financing and rebates have since been selectively reinstated, widespread production cutbacks also have been announced. However, viewing the high level of household debt, declining sales of autos and other big-ticket items were probably in the offing even before October 19th.

Only time will tell whether consumer and business confidence has been seriously impaired by the stock market's behavior. However, the more direct economic impact seems to be quite minor and for California there may even be some positive side effects in the Federal government's economic policy response to the market's troubles.

Apart from the impact on the financial industry per se, a decline in stock prices is thought to affect consumer spending by way of a reduction in household wealth and business investment by increasing the cost of capital. Both of these effects, however, are relatively small. For example, a $100 change in household wealth is thought to affect consumer spending by $4 to $6 over an 18 month period. But since the stock market has merely retraced the rise in prices over the first nine months of the year, the effect at most would be half that claimed. Thus, over an 18 month period, the "wealth effect" would dampen consumer spending by a fraction of a percent.

To offset the effects of the sudden drop in stock prices--and to dampen any erosion in confidence--U.S. economic policy shifted quickly toward accommodation of credit needs and away from defense of the dollar. Federal Reserve action effectively lowered short term interest rates by more than a half percentage point, while the bond market--viewed now as a "safe haven"--rallied to push long term borrowing costs down by more than a full percentage point. These actions should not only offset any increase in the cost of business capital resulting from the decline in share prices, but also provide a boost to home building and sales.

Part of the reason for the gradual firming of monetary policy and interest rates prior to October 19th was to defend the dollar's value in foreign exchange markets. With monetary policy now focused on liquidity needs, the dollar has dropped sharply in world markets. The further weakening of the dollar will enhance prospects for several of California's export sensitive industries, including agriculture, electronics and tourism.

Of course, a major devaluation of the dollar could be quite damaging, forcing interest rates up and again battering confidence. Moreover, domestic financial markets remain in a state of flux, and the trade and budget deficits are problems yet to be solved. All of these add a major element of uncertainty to the economic outlook for the nation and California, but do not seem to point to any downturn in business activity.

Economic data for California continue to reflect a moderately paced expansion. Nonagricultural payroll employment in October, at 11.8 million, was up 3.3 percent over the year, although the annualized growth rate over the past three months was a more moderate 2.3 percent. The jobless rate, meanwhile, has stabilized in the 5.5 to 6 percent range through much of 1987. Trends in the major industry sectors are typical of a late business expansion.

Construction employment has remained on a plateau near 600,000 jobs in recent months, reflecting the slowing of homebuilding activity as well as commercial office construction in some areas.

Manufacturing, which was virtually flat for the first eight months of 1987, picked up somewhat in September and October. Gains have been concentrated in nondurable goods, mainly food processing, reflecting large and early harvests. Durable goods manufacturing, which had been declining early in the year, is now on a sustained upward trend, having added 12,000 jobs since June. Of particular note are gains in the high technology electronics and aerospace sectors, which are up almost 11,000 from a low point reached in April. Employment in aircraft, missiles and space vehicles is up 7,000, while electronics, computers and instruments have gained 4,000 jobs.

CALIFORNIA AEROSPACE EMPLOYMENT
April and October 1987
(Thousands)

	April	October
Office & Computing Equip.	103.1	104.1
Radio & TV Receiving Equip.	13.3	13.6
Communications Equipment	177.1	177.2
Electronic Components	146.5	149.2
Measuring & Controlling Instruments	54.0	54.0
Aircraft and Parts	174.7	180.3
Missiles & Space Vehicles	79.0	80.1
Total	747.7	758.5

Service producing activities have shown stronger job growth than the goods producing industries, but gains have also slowed in the service sector in recent months. In October, manufacturing, which was up 10,000 jobs, actually outpaced trade (+7,000) and services which were virtually unchanged. The utilities and finance both evidenced fractional declines in October. Early school openings boosted government employment sharply in September, and the seasonally adjusted figure fell 15,000 in October, but was still 7,000 above the August level.

Personal income estimates through the third quarter continue to show steady gains, reflecting primarily the growth of employment. On a year-over-year basis, income was up 8.6 percent, compared with a 5.8 percent increase for the nation.

Wage gains account for much of the strength in California incomes. In particular, high bonus and commission levels in brokerage firms have helped push wages and salaries up by 9.4 percent. Excluding the finance sector, wages are up 8.6 percent, in line with total income. A 12 percent rise in service wages reflects a 6.5 percent year to year employment gain, and a 5.5 percent rise in per worker wages. Most other sectors are seeing per worker wage increases in the 3.5 to 4 percent range, in line with recent price experience.

Rental income figures include substantial imputations for the value of owner occupied housing, and are at best rough approximations. Over the years, California's share of the nation's rental income has varied from a low of 16 percent to nearly 40 percent. In addition to the homeowner imputations, rent can be affected by tax law changes, natural disasters and interest rates.

The income data are preliminary and subject to revision as additional data become available. Nonetheless, the figures reinforce the view that California's economy continues to outperform the nation by a considerable margin.

CALIFORNIA PERSONAL INCOME
(Billions of Dollars)

	86:3	87:2	87:3	Percent change: 87:3/86:3
Total Personal Income	455.5	487.7	494.7	8.6
Wages and Salaries	268.9	291.0	294.1	9.4
Other Labor Income	25.9	27.6	28.2	8.9
Proprietors' Income	41.8	46.7	47.8	14.5
Farm	4.4	4.9	4.9	11.9
Nonfarm	37.4	41.7	42.9	14.8
Interest	62.8	64.4	66.0	5.1
Dividends	10.0	10.6	10.9	8.9
Rent	3.8	4.7	4.6	21.3
Transfer Payments	62.0	64.7	65.1	5.1
Less: Contributions for Social Insurance	20.1	22.1	22.4	11.3
Residence Adjustment	.2	.3	.3	---

Inflation, which in California often outpaces the national rate of price increase, is now showing a moderating trend. The California Consumer Price Index for October was up 4.2 percent over the year ago level, compared to a 4.5 percent increase nationally. Housing--rent and homeowners' costs--is the largest segment of the CPI, and the one most likely to be the source of regional differences in the rate of inflation. Homeowners' costs nationally were up 4.8 percent from the October 1986 level, while the gain in Los Angeles was 5.5 percent but only 1.9 percent in the San Francisco area.

Little change is expected in the inflation outlook over the next year or so. Although the weaker dollar might be expected to push up the price of certain goods, in fact a substantial proportion of U.S. imports are from countries in the Far East whose currencies are tied to the dollar, or Latin America where currencies have actually depreciated against the dollar. Many imports once made in Japan are now manufactured in Korea or Hong Kong, and are brought in at lower rather than higher prices. Home entertainment items are good examples of this situation.

Given the three year boom in homebuilding, the supply of housing is now in better balance with demand, and pressures on housing costs should therefore remain moderate. Less favorable is the trend of medical costs which continue to increase considerably faster than the overall rate of inflation. In sum, California consumer prices are expected to continue rising at around a 4.5 percent pace in 1988, assuming a steady pace of economic activity. Details of the consumer price outlook appears in the following table.

CALIFORNIA CONSUMER PRICE INDEX
(1967=100)

				% Change - Prior Year		
	1987	1988	1989	1987	1988	1989
LOS ANGELES						
All Items (Urban)	345.1	363.3	380.9	4.4	5.3	4.9
Food	329.3	340.3	354.6	4.3	3.3	4.2
Food Away From Home	339.2	349.6	361.0	1.8	3.3	4.2
Rent, Residential	359.9	379.3	400.0	5.4	5.4	5.5
Home Owenrs' Costs	133.9	144.4	153.2	6.6	7.9	6.0
Fuel and Other Utilities	357.9	368.6	376.6	-1.2	3.0	2.2
Apparel and Upkeep	194.0	201.3	209.6	5.3	3.8	4.1
Transportation	337.4	354.0	371.8	3.6	4.9	5.0
Medical Care	491.4	527.1	562.8	7.2	7.3	6.8
Entertainment	237.7	244.0	251.4	1.9	2.7	3.0
Other Goods & Services	349.4	370.4	388.1	4.6	6.0	4.8
All Other	151.5	158.8	165.2	2.5	4.8	4.1
CPI-W	337.1	354.4	371.6	4.1	5.1	4.8
SAN FRANCISCO						
All Items (Urban)	354.8	370.8	387.9	3.3	4.5	4.6
Food	336.7	347.9	360.3	4.1	3.3	3.5
Food Away From Home	355.3	369.5	385.0	3.7	4.0	4.2
Rent, Residential	377.9	398.3	421.2	4.4	5.4	5.7
Home Owners' Costs	140.4	148.4	156.6	4.0	5.6	5.5
Fuel and Other Utilities	410.2	426.8	450.9	-0.9	4.0	5.7
Apparel and Upkeep	214.3	223.2	230.6	2.1	4.2	3.3
Transportation	311.5	324.2	335.1	1.4	4.1	3.4
Medical Care	444.8	477.9	512.4	7.2	7.4	7.2
Entertainment	290.0	297.9	310.8	2.8	2.7	4.3
Other Goods & Services	382.7	404.5	424.0	6.1	5.7	4.8
All Other	161.9	167.9	174.5	4.2	3.7	4.0
CPI-W	348.2	363.7	380.1	3.2	4.5	4.5
CALIFORNIA						
CPI-U	353.2	370.9	388.7	4.2	5.0	4.8
CPI-W	341.7	358.6	375.6	3.9	4.9	4.7

EMPLOYMENT
(Seasonally Adjusted)

	1987				1986	Percent Change Oct 1986–Oct 1987
	Oct	Sep	Aug	Jul	Oct	
Civilian Employment (000)	12,979	13,026	13,036	13,064	12,598	3.0
Unemployment (000)	822	797	739	755	893	-8.0
Unemployment rate	6.0	5.8	5.4	5.5	6.6	--
Nonagricultural wage and salary employment [a] (000)	11,802.9	11,796.1	11,741.9	11,736.2	11,422.8	3.3
Mining	40.5	40.6	40.7	40.7	39.1	3.6
Construction	599.5	594.4	593.2	597.1	553.0	8.4
Manufacturing	2,111.6	2,101.3	2,095.8	2,094.6	2,067.8	2.1
Aerospace [b]	n.a.	757.9	755.0	754.9	750.7	--
Transportation and Public utilities	578.8	579.1	577.9	582.8	582.7	-0.7
Trade	2,833.9	2,825.3	2,809.5	2,805.6	2,750.8	3.0
Finance, insurance and real estate	803.6	805.8	803.6	803.3	770.6	4.3
Services	2,943.9	2,943.2	2,937.4	2,933.6	2,812.3	4.7
Government	1,891.1	1,906.3	1,883.7	1,878.6	1,846.5	2.4
Federal	346.3	346.4	345.3	343.5	342.3	1.2
State & local	1,544.8	1,560.0	1,538.4	1,535.2	1,504.2	2.7

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[a] Interim series of wage and salary workers. This unofficial series is adjusted for the latest tabulations of unemployment insurance coverage and approximates what the official data will be when estimates are updated at year end.

[b] The Interim Series does not give a breakdown for aerospace employment. These values are from the EDD official employment series, and are not seasonally adjusted.

n.a. Not available

HOURS AND EARNINGS IN MANUFACTURING

	1987				1986	Percent Change Oct 1986–Oct 1987
	Oct	Sep	Aug	Jul	Oct	
Average weekly hours [c]	40.2	39.9	40.4	40.0	40.3	-0.2
Average weekly earnings	$435.77	$434.11	$435.51	$432.80	$418.31	4.2
Average hourly earnings	$10.84	$10.88	$10.78	$10.82	$10.38	4.4

---

[c] Not seasonally adjusted.

TRADE
(Seasonally Adjusted)

	1987				1986	Percent Change
	Sep	Aug	Jul	Jun	Sep	Sep 1986-Sep 1987
Retail sales (millions)	15,446	15,176	15,275	14,968	14,871	3.9
New auto registrations (number)	125,979	128,885	127,696	115,982	141,937	-11.2

CONSUMER PRICE INDEX
(1967 = 100)

	1987				1986	Percent Change
	Oct	Sep	Aug	Jul	Oct	Oct 1986-Oct 1987
All Urban Series						
California Average	358.5	356.8	355.0	352.9	344.1	4.2
San Francisco	359.9	358.5	356.9	356.0	347.7	3.5
Los Angeles	350.4	348.6	346.7	344.1	336.2	4.2
Wage Earner and Clerical Worker Series						
California Average	346.8	345.1	343.5	341.4	333.0	4.1
San Francisco	353.2	351.4	349.9	349.3	341.1	3.5
Los Angeles	342.1	340.4	338.8	336.2	328.3	4.2

PRODUCTION

	1987				Percent Change
	Oct	Sep	Aug	Jul	Oct 1986-Oct 1987
Petroleum (000 barrels daily)	n.a.	n.a.	1,100	1,096	--
Portland cement (000 short tons)	n.a.	895.5	868.8	915.9	--
Selected redwood and whitewood mill production (mil. board feet)	90.6	71.3	67.0	84.1	0.0

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n.a. Not available

CONSTRUCTION

	1987				1986	Percent Change
	Sep	Aug	Jul	Jun	Sep	Sep 1986-Sep 1987
Private Residential Housing Units Authorized (000) [a]	196.0	234.9	239.9	265.1	274.6	-28.6
Single Units	n.a.	n.a.	118.8	137.8	n.a.	--
Multiple Units	n.a.	n.a.	121.1	127.3	n.a.	--
Residential Building Authorized Valuation (millions) [b]	$1,636	$1,594	$1,677	$1,733	$1,853	-11.7
Nonresidential Building Authorized Valuation (millions) [b]	$1,148	$981	$1,210	$951	$1,031	11.3
Nonresidential Building Authorized Valuation (millions) [c]	$1,168	$1,109	$1,245	$1,115	$1,050	11.2
Commercial	$473	$367	$522	$464	$381	24.2
Industrial	$129	$173	$210	$162	$157	-18.0
Other	$276	$242	$223	$242	$212	30.5
Alterations & Additions	$290	$327	$290	$247	$300	-3.3

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[a] Seasonally adjusted annual rate.
[b] Seasonally adjusted.
[c] Not adjusted for seasonal variation.
n.a. Not available

VACANCY RATES FOR SEPTEMBER 1987
(Percent)

	Office			
	Total	Downtown	Suburban	Industrial
Northern & Central California				8.0
Oakland - East Bay	25.3	17.5	27.7	
Sacramento	19.5	8.0	23.1	
San Francisco	17.2	15.0	20.3	
San Jose	25.0	22.4	25.6	
Southern California				6.6
Los Angeles	16.8	14.0	17.5	
Orange County	20.7	n.a.	n.a.	
San Diego	21.7	14.0	25.3	
National Average	20.9	16.2	23.0	5.8

MEDIAN PRICE OF EXISTING SINGLE-FAMILY HOMES [a]

1986	Aug	$135,591	1987	Jan	$126,532	Jun	$141,541
	Sep	$132,743		Feb	$128,372	Jul	$141,599
	Oct	$127,387		Mar	$135,278	Aug	$143,876
	Nov	$129,767		Apr	$137,853	Sep	$143,882
	Dec	$130,565		May	$140,853		

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[a] California Association of Realtors

LEADING INDICATORS

		Manufacturing Overtime Hours	Manufacturing Average Weekly Hours	New Business Incorporations
1987	Jan	4.2	40.2	5,605
	Feb	3.6	40.3	5,362
	Mar	3.4	40.6	5,967
	Apr	3.3	39.7	4,012
	May	3.7	40.5	4,688
	Jun	3.7	40.4	5,144
	Jul	3.7	40.4	5,327
	Aug	3.6	40.5	4,982
	Sep	3.5	39.9	5,401
	Oct	3.9	40.2	n.a.

		Unemployment Insurance Initial Claims	Housing Unit Authorizations (Thousands)
1987	Jan	57,054	299.1
	Feb	57,270	232.8
	Mar	56,008	292.2
	Apr	53,258	291.3
	May	49,502	203.3
	Jun	52,993	265.1
	Jul	52,319	239.9
	Aug	50,412	234.9
	Sep	49,846	196.0

Note: All data seasonally adjusted.

COINCIDENT INDICATORS

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Thousands)	Insured Unemployment Average Weeks Claimed (Thousands)
1987	Jan	11,544	2,094	6.2	357
	Feb	11,605	2,098	6.2	368
	Mar	11,618	2,096	6.0	394
	Apr	11,653	2,094	5.8	359
	May	11,667	2,093	6.1	335
	Jun	11,689	2,095	5.5	347
	Jul	11,736	2,095	5.5	317
	Aug	11,742	2,096	5.4	331
	Sep	11,796	2,101	5.8	328
	Oct	11,803	2,112	6.0	n.a.

		Personal Income (Millions)	Wages & Salaries from Mining, Construction & Manufacturing (Millions)	Taxable Sales (Millions)
1986	Qtr I	$446,160	$70,011	$52,726
	Qtr II	$453,194	$70,937	$53,540
	Qtr III	$455,379	$70,948	$55,310
	Qtr IV	$469,659	$74,898	$55,746
1987	Qtr I	$481,563	$73,256	$55,642
	Qtr II	$487,739	$75,088	$57,502
	Qtr III	$494,720	$75,726	n.a.

OTHER INDICATORS

		DOD Prime Contracts (Millions)
1985	Qtr I	7,941
	Qtr II	4,057
	Qtr III	8,526
	Qtr IV	7,828
1986	Qtr I	8,173
	Qtr II	3,629
	Qtr III	8,109

		Electricity Production (Million Kwh)
1987	Jan	9,777
	Feb	10,626
	Mar	11,393
	Apr	11,859
	May	10,764
	Jun	10,830
	Jul	10,189
	Aug	10,712
	Sep	10,864

Note: All data seasonally adjusted.

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are production worker man-hours, insured unemployment, manufacturing employment, and taxable sales. These series are discussed in the technical note below.

TECHNICAL NOTE

Whenever appropriate, data used in the charts have been seasonally adjusted. The series on average weekly hours of production workers in manufacturing and production worker man-hours are adjusted by the Bureau of Labor Statistics method. Other series have been adjusted by the Bureau of the Census (Shiskin) method. Persons interested in a detailed description of these methods are referred to the U.S. Department of Labor, Bureau of Labor Statistics, the BLS Seasonal Factor Method (1964); and the U.S. Department of Commerce, Bureau of the Census. Technical Paper No. 15, The X-11 Variant of the Census Method II. Seasonal Adjustment Program (November 1965).

Under the Census Bureau seasonal method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

Production Worker Man-Hours

This series is a substitute for the man-hours in nonagricultural establishments series used in the Census Bureau's publication, Business Cycle Developments. It is the cross product of average weekly hours of production workers in manufacturing and manufacturing employment. Workweek data are a leading indicator. Manufacturing employment appears to be a coincident indicator, although at times it seems to lead economic downturns. Because of this, the man-hours series has been classified in the present publication as a leading indicator.

Insured Unemployment

The series on total insured unemployment is being used rather than the insured unemployment rate included in the Census Bureau's indicator list. The insured rate is available only with a lag of nine months, which precludes its usefulness as a current indicator.

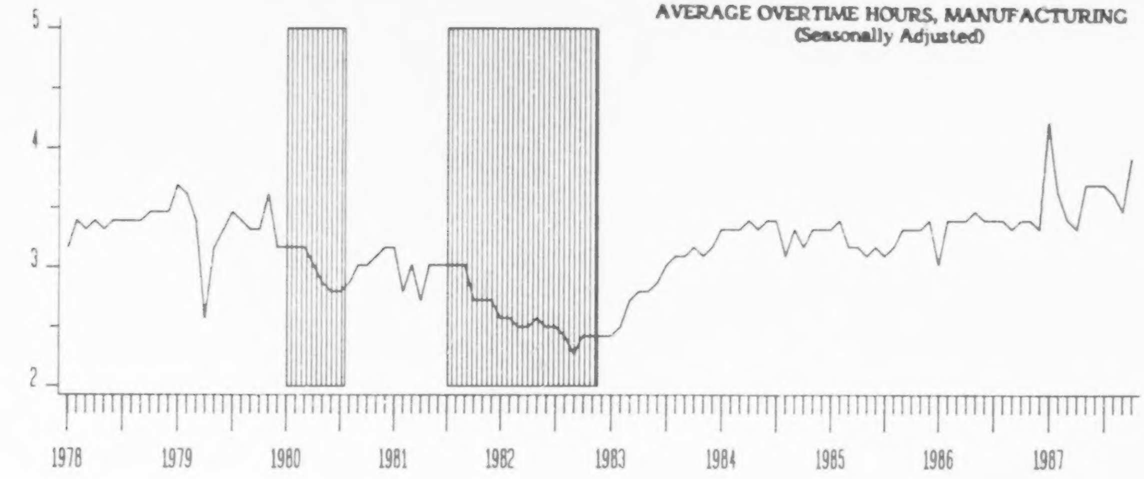
Manufacturing Employment

This series is also an addition to the Census Bureau indicator list. It was used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

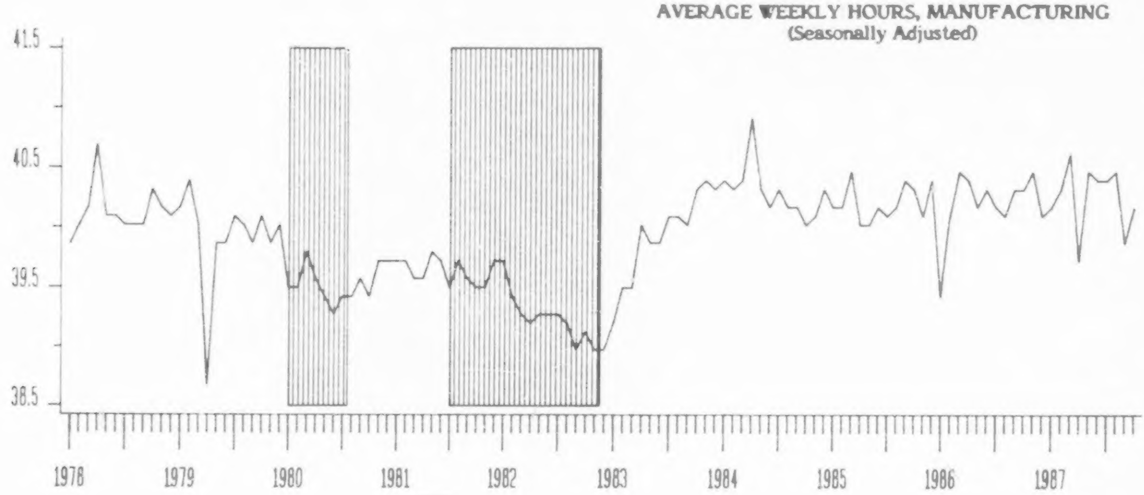
Taxable Sales

Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is therefore a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950.

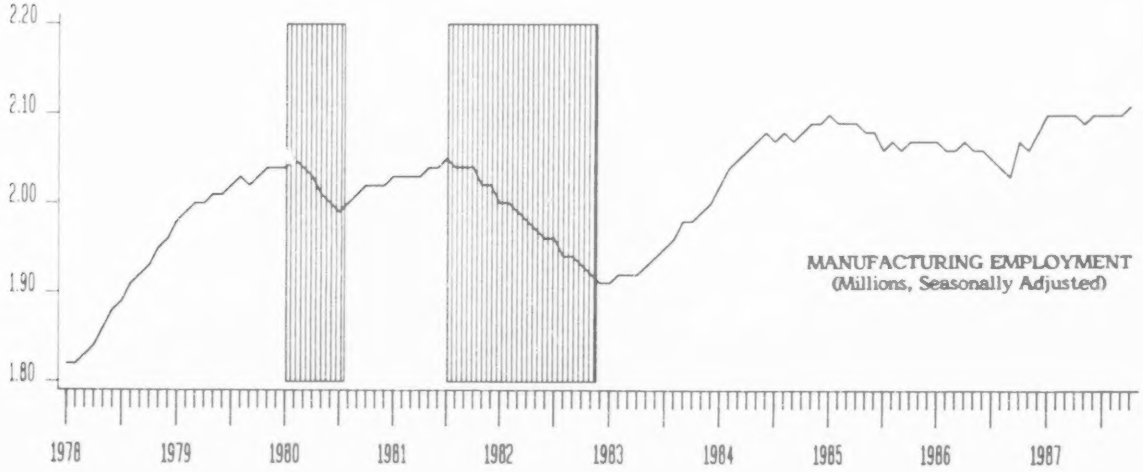
The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.



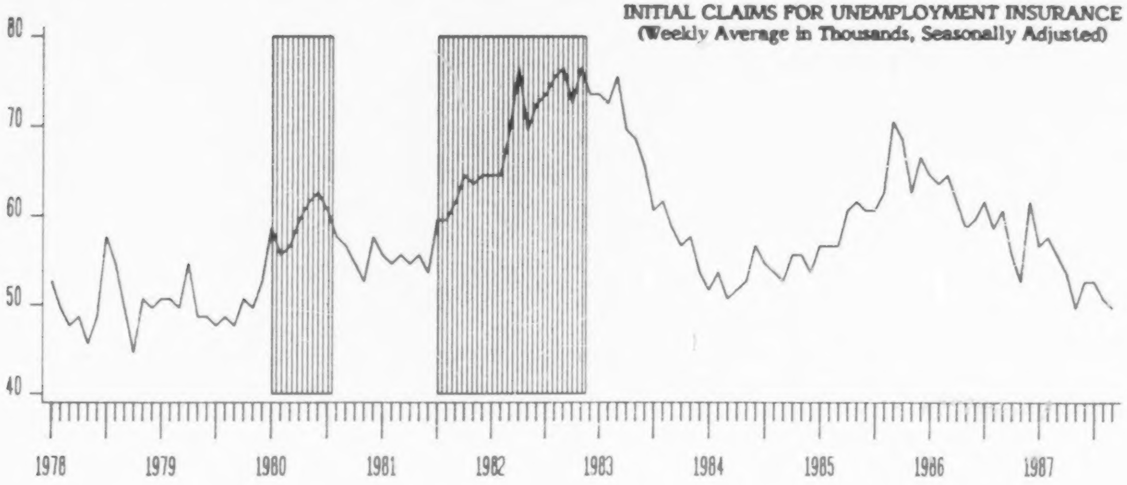
AVERAGE OVERTIME HOURS, MANUFACTURING
(Seasonally Adjusted)



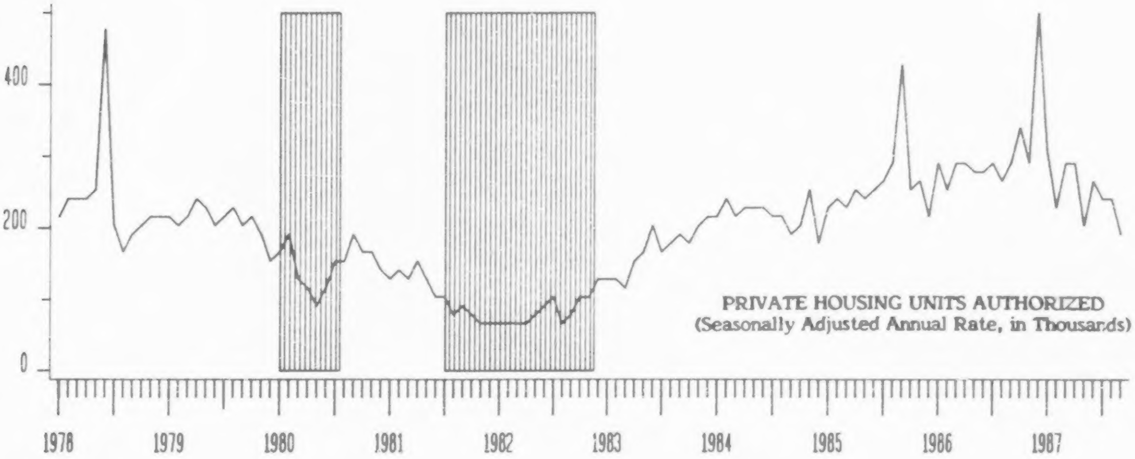
AVERAGE WEEKLY HOURS, MANUFACTURING
(Seasonally Adjusted)



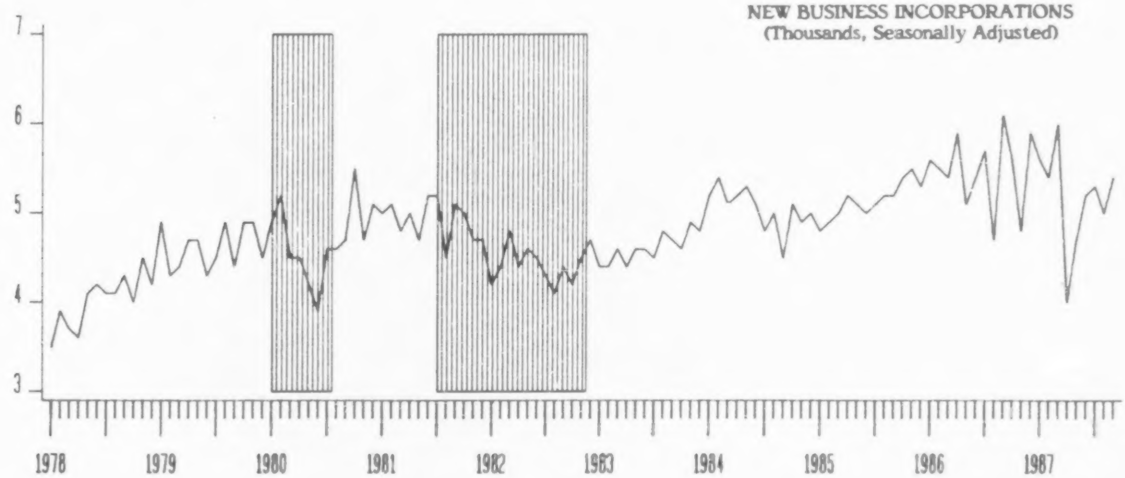
MANUFACTURING EMPLOYMENT
(Millions, Seasonally Adjusted)



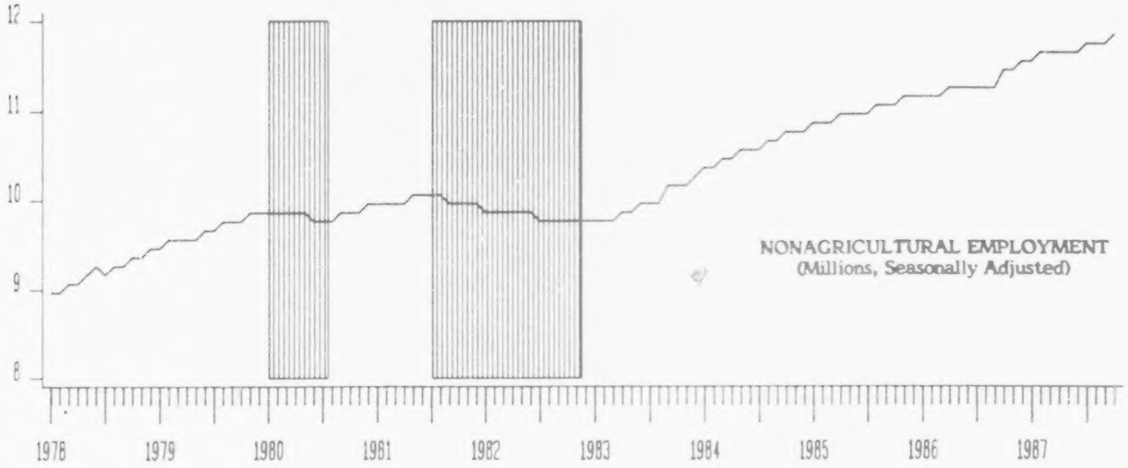
INITIAL CLAIMS FOR UNEMPLOYMENT INSURANCE
(Weekly Average in Thousands, Seasonally Adjusted)



PRIVATE HOUSING UNITS AUTHORIZED
(Seasonally Adjusted Annual Rate, in Thousands)

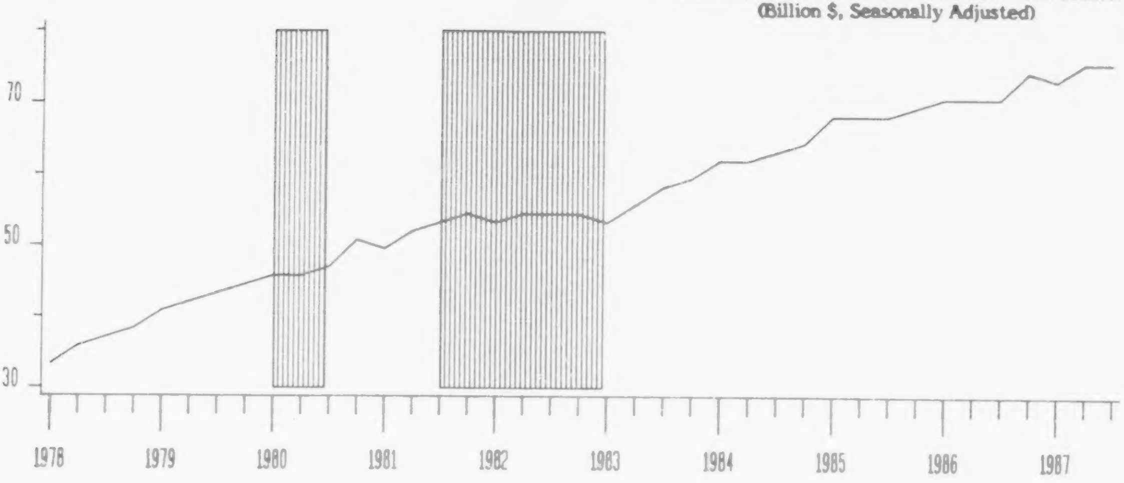


NEW BUSINESS INCORPORATIONS
(Thousands, Seasonally Adjusted)

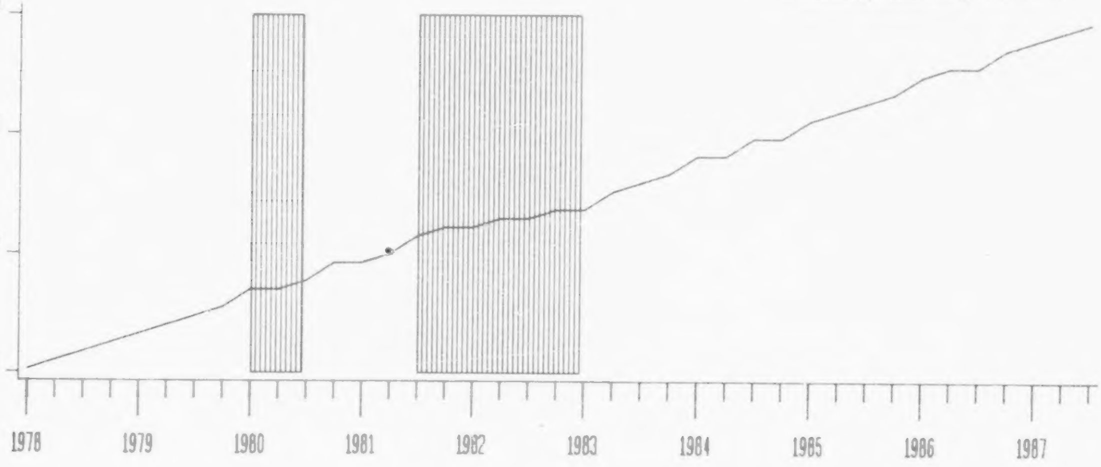


Note: The Los Angeles help wanted ads series is no longer available and it has been omitted from the tables and graphs sections. Similarly, the California index of leading indicators has been dropped from these sections due to the discontinuation of key data series. The construction of the index is being re-examined. Median sales price of existing single-family homes has been added to the tables. Also note, Security Pacific Corporation no longer provides construction valuation data. The Construction Industry Research Board is the current source for this information.

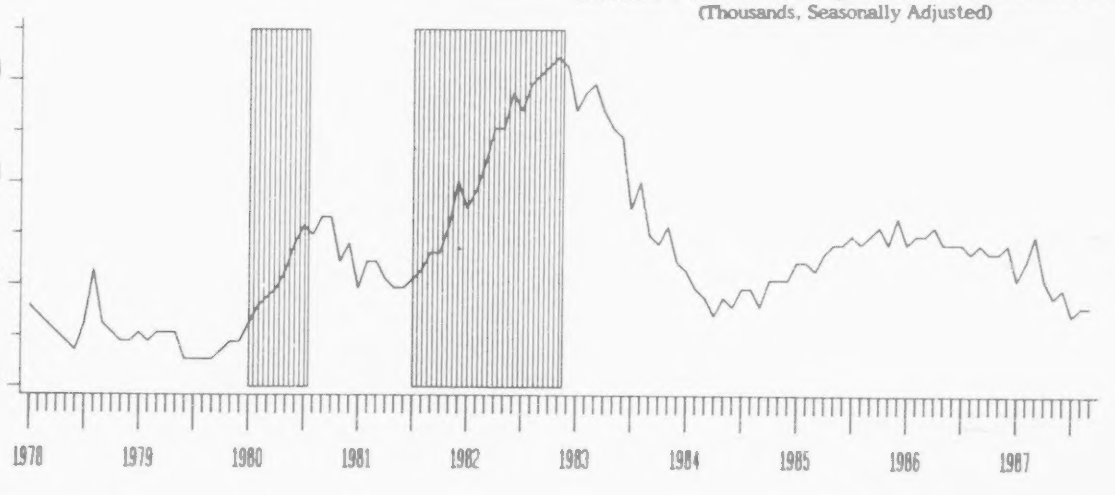
WAGES & SALARIES FROM
MINING, CONSTRUCTION & MANUFACTURING
(Billion $, Seasonally Adjusted)

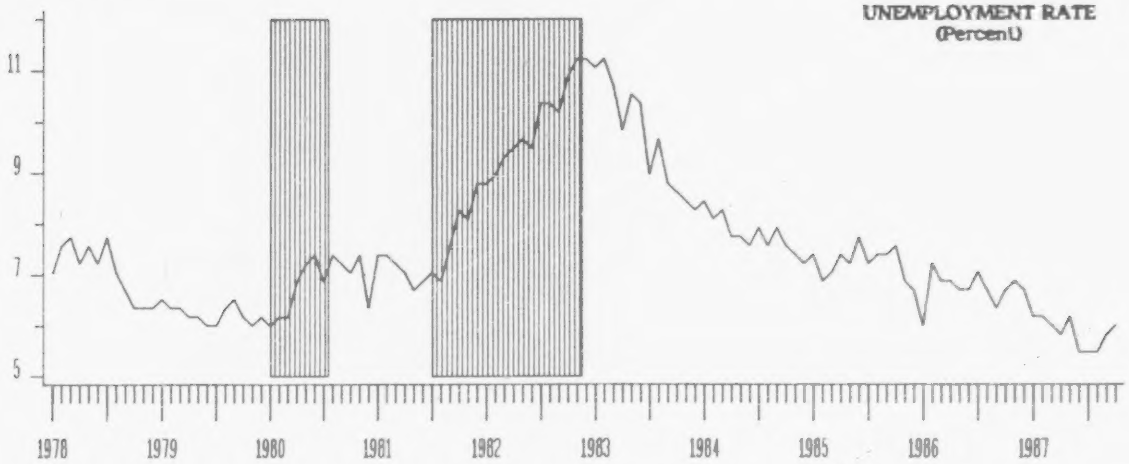


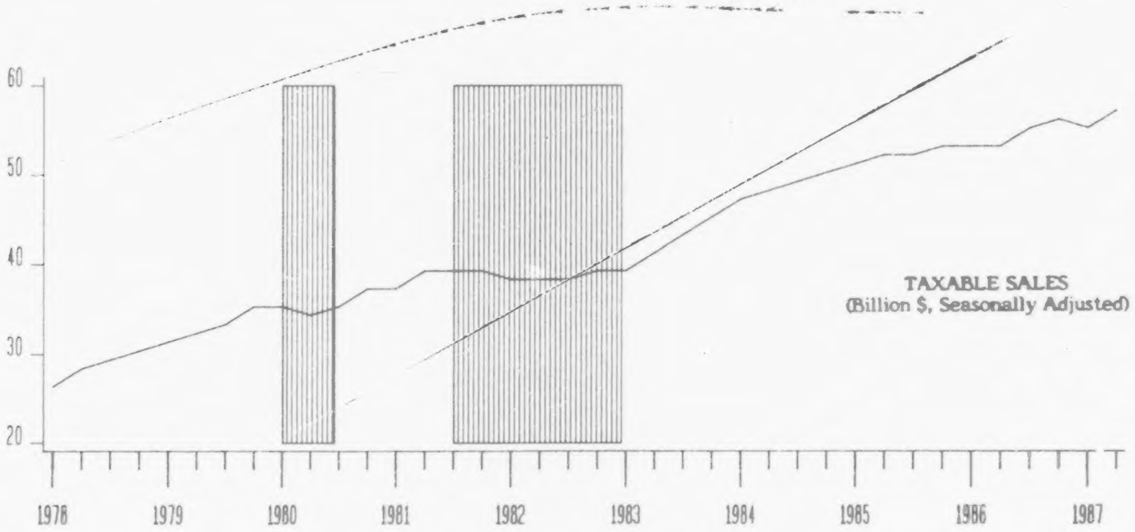
PERSONAL INCOME
(Billion $, Seasonally Adjusted)

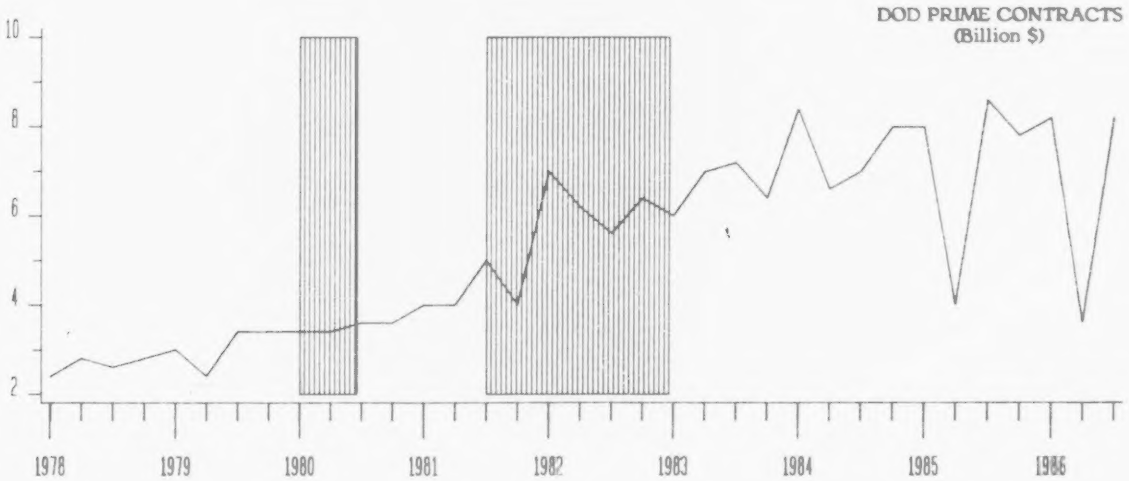


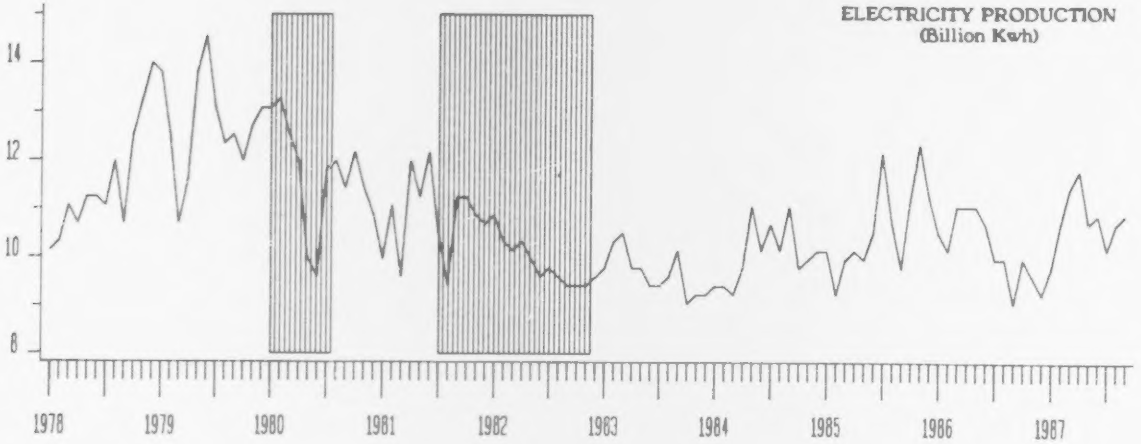
INSURED UNEMPLOYMENT, AVERAGE WEEKS CLAIMED
(Thousands, Seasonally Adjusted)



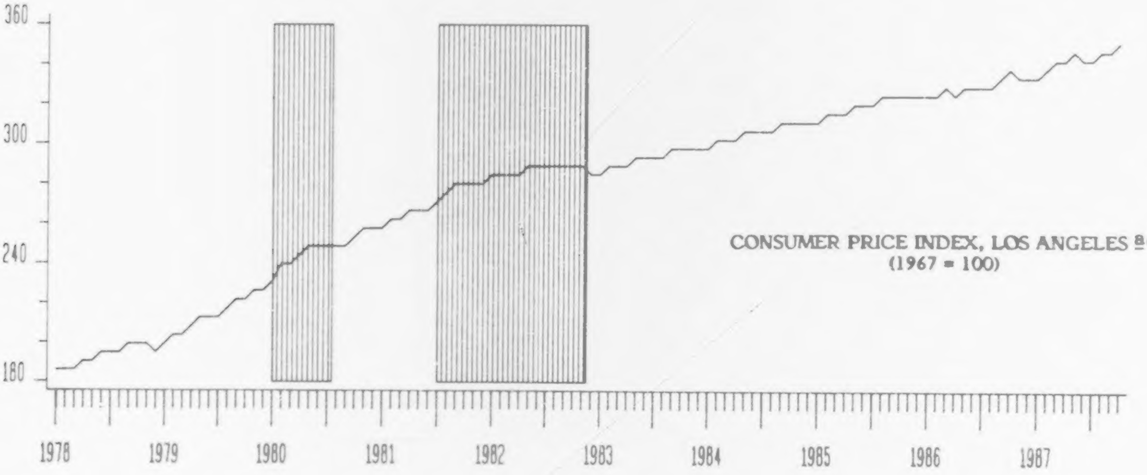

UNEMPLOYMENT RATE
(Percent)


TAXABLE SALES
(Billion $, Seasonally Adjusted)

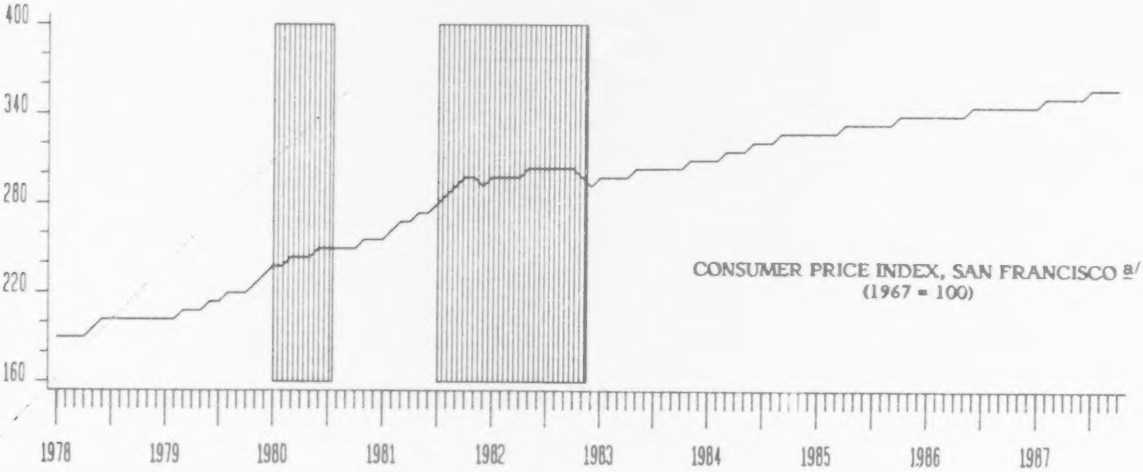

DOD PRIME CONTRACTS
(Billion $)



ELECTRICITY PRODUCTION
(Billion Kwh)



CONSUMER PRICE INDEX, LOS ANGELES [a]
(1967 = 100)



CONSUMER PRICE INDEX, SAN FRANCISCO [a]
(1967 = 100)

CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national events of general interest have also been included.

1980

February 25	Prime rate raised to 16-1/2 percent.
February 27	Ceilings on interest rates for government backed mortgages raised to 13 percent.
February 29	Prime rate raised to 16-3/4 percent.
March 4	Prime rate raised to 17-1/4 percent.
March 7	Prime rate raised to 17-3/4 percent.
March 13	Prime rate raised to 18-1/4 percent.
March 14	Announcement of tighter fiscal policies.
March 17	Three percent discount rate surcharge imposed.
March 18	Prime rate raised to 19 percent.
April 2	Prime rate raised to 20 percent.
April 3	FHA mortgages raised to 14 percent.
April 20	Prime rate reduced to 19-1/2 percent.

1980--Continued

April 28	FHA mortgages reduced to 13 percent.
	Prime rate reduced to 18-1/2 percent.
May 5	Prime rate reduced to 18 percent.
May 7	Prime rate reduced to 17 percent.
May 8	Discount rate surcharge reimposed.
May 12	Prime rate reduced to 16-1/2 percent.
May 19	Prime rate reduced to 16 percent.
May 28	Discount rate lowered to 12 percent. Some conventional mortgage rates fell to 12 percent.
June 25	Carpenters strike in Northern California ended.
July 3	ICC begins trucking industry deregulation.
July 21-October 23	Motion picture and television industry strike.

CHRONOLOGY--Continued

1980--Continued

July 22	Prime rate reduced to 11 percent.
July 25	Prime rate reduced to 10-3/4 percent.
July 28	Discount rate reduced to 10 percent.
August 5	Prime rate raised to 11 percent.
August 27	Prime rate raised to 11-1/2 percent.
September 5	FHA mortgage interest rate raised from 11-1/2 to 12 percent.
September 12	California morgage rate raised from 13-1/2 percent to 13-3/4 percent.
September 25	Pacific Southwest Airlines (PSA) pilots strike begins.
September 26	Discount rate raised from 10 to 11 percent. Prime rate raised from 12-1/2 percent to 12-3/4 percent.
October 2	Prime raised from 13 to 13-1/2 percent.
October 3	Prime raised to 14 percent.
October 15	AFTA workers return to work.
October 30	Prime raised from 14 to 14-1/2 percent.
November 7	Prime raised from 14-1/2 to 15-1/2 percent.
November 14	PSA pilots strike ends.

1980--Continued

November 17	Prime raised to 16 1/4 percent. Discount rate raised from 11 to 12 percent and surcharge imposed.
November 21	Prime raised to 17 percent.
November 28	Prime raised to 17-3/4 percent.
December 3	Prime raised from 17-3/4 to 18-1/2 percent.
December 5	Discount rate raised from 12 to 13 percent. Prime raised to 19 percent.
December 11	Prime raised to 20 percent.
December 17	Prime raised from 20 to 21 percent.
December 23	Prime lowered from 21 to 20-1/2 percent.

1981

January 1	Minimum wage raised from $3.10 to $3.35.
January 6	Prime lowered to 20 percent.
January 20	American hostages released from Iran.
January 20	Ronald Reagan inaugurated as 40th President of the U.S.
January 28	Deregulation of oil and gas industry announced, effective immediately.
January 29	Prime rate lowered to 19-1/2 percent from 20 percent.

CHRONOLOGY--Continued

	1981--Continued
February 16	General Motors and Ford rebate plans announced.
February 23	Prime rate lowered to 18 percent.
March 2	Prime rate lowered to 18-1/2 percent.
March 10	Prime rate lowered to 18 percent.
March 16	Prime rate lowered to 17-1/2 percent.
March 18	Prime rate lowered to 17 percent.
March 26-June 8	United mine workers strike.
April 13	Prime rate raised to 17-1/2 percent.
April 29	Prime rate raised to 18 percent.
May 4	Prime rate raised to 19 percent.
May 5	Discount rate raised from 13 percent to 14 percent.
May 8	FHA-VA rate up to 15-1/2 percent from 14-1/2 percent.
May 11	Prime rate raised to 19-1/2 percent.
May 22	Prime rate raised to 20 percent.
May 27	OPEC fails to agree on a uniform price schedule. OPEC officials freeze prices at current level.

	1981--Continued
June 5	Dollar reaches highest level in international trading since December 1971.
July 8	Prime rate raised to 20-1/2 percent.
August 3 Jan. 17, 1986	Professional Air Traffic Controller's Organization strike.
August 14	President Reagan signs both the tax- and budget-cut bills into law.
August 18	FHA-VA rate up to 16-1/2 percent from 15-1/2 percent.
September 1	Prime rate lowered to 20 percent.
September 21	Prime rate lowered to 19-1/2 percent.
September 22	Fed surcharge cut to 3 percent from 4 percent.
October	Introduction of All Savers Certificates to stimulate savings.
October 6	Prime rate lowered to 19 percent.
	Egyptian President Sadat assassinated.
October 13	Prime rate lowered to 18 percent.
October 30	OPEC price set at $34.00/barrel--the Saudi benchmark.
November 1	Passbook interest rate raised 1/2 percent to 5-3/4 percent.

1981--Continued

November 2	Fed discount rate cut from 14 percent to 13 percent.
	Prime rate lowered to 17-1/2 percent.
November 10	Prime rate lowered to 17 percent.
November 13	Prime rate lowered to 16-1/2 percent.
	FHA mortgage rate lowered to 15-1/2 percent.
November 16	Prime rate lowered to 16 percent.
November 17	Fed eliminates 2 percent surcharge. Discount rate unaffected.
December 1	Prime rate lowered to 15-1/2 percent.
December 4	Fed discount rate lowered from 13 percent to 12 percent.
December 12	Martial law imposed in Poland.

1982

January 22	Federal funds rate raised to 13-1/2 percent.
January 25	FHA mortgage rate increased from 15-1/2 percent to 16-1/2 percent.
January 27	Federal funds rate raised to 13-3/4 percent.

1982--Continued

February 2	Prime rate raised to 16-1/2 percent by Citibank and Crocker.
February 18	Prime rate increased to 17 percent.
February 24	Prime rate cut back to 16-1/2 percent.
March 1	Ford-UAW Pact ratified. Workers give up two weeks of paid time off and annual 3 percent raises.
March 8	Prime rate lowered to 16 percent.
March 16	Prime rate back up to 16-1/2 percent.
April 1	OPEC cuts production to 17.5 million barrels from current 18.2. Saudi bench mark set at $34/barrels.
April 5	Unemployment rate nationally hits 9.0 percent tying the post-WW II high in May 1975.
April 12	General Motor and United Auto Workers labor agreement approved.
April 26	The U.S. consumer price index declined 0.3 percent--the first decline in 17 years and the largest drop in nearly a quarter of a century.
May 7	U.S. unemployment rate reaches 9.4 percent for a post-WW II record.

CHRONOLOGY--Continued

1982--Continued

May 13	Braniff Air Lines ceases operation.
June 25	Secretary of State Alexander Haig resigns.
June 28	U.S. Supreme Court rules that federally chartered savings and loan associations cannot be prohibited from enforcing due-on-sale clauses in their mortgage contracts.
July 20	Discount rate lowered from 12 percent to 11-1/2 percent. Prime rate lowered from 16-1/2 percent to 16 percent.
July 27	Prime rate lowered to 15-1/2 percent.
August 2	Discount rate lowered to 11 percent. Prime rate lowered to 15 percent.
August 9	Unemployment rate reached 9.8 percent in July--the highest level since a 9.9 percent rate in 1941.
August 16	Discount rate cut from 11 percent to 10-1/2 percent. Most major banks lower their prime lending rates to 14-1/2 percent.
August 18	Dow Jones Industrial Average rose 38.81 points--an all-time record.
August 19	The stock market trading soared to a record 132,690,000 shares.
August 27	Discount rate lowered to 10 percent. Prime rate lowered to 13.5 percent.

1982--Continued

November 23	Prime rate lowered from 12 percent to 11-1/2 percent.
December 13	Discount rate cut to 8-1/2 percent.
December 14	Introduction of money market deposit accounts by banks and S&Ls.

1983

January 5	Super NOW accounts introducted.
January 11	Prime rate lowered to 11 percent.
January 31	Independent truckers strike begins.
February 10	Independent truckers strike end.
February 15	Toyota/GM agreement to build a small car in late 1984.
February 25	Prime rate lowered to 10-1/2 percent.
March 14	OPEC sets $29 per barrel benchmark price and production quota of 17.5 million barrels.
May 2	A 6.5 magnitude earthquake strikes the town of Coalinga. An earthquake measuring 6.5 on the Richter scale strikes Coalinga, California.
June 8	The maximum rate on government-backed mortgages was raised from 11-1/2 percent to 12 percent.
June 18	Paul Volcker reappointed as Federal Reserve Board Chairman.

1983--Continued

June 24	The Federal Budget deficit totalled a record $29.29 billion in May.
July 7	The maximum rate on government-backed mortgages was raised from 12 percent to 12-1/2 percent.
July 13	Chrysler Corporation announced it will repay the remaining $800 million in federally guaranteed loans by September, seven years before they are due.
July 25	The Washington Public Power Supply System defaulted on $2.25 billion in bonds, creating the largest municipal default in U.S. history.
August 1	California's $1.2 billion offering of revenue-anticipation notes, the State's largest note issue, drew strong investor interest. Notes totalling $700 million, maturing next April and June, were oversubscribed.
August 2	The maximum rate on government backed mortgages rose from 12-1/2 percent to 13-1/2 percent.
August 7- August 28	The Communications Workers of America and two other unions strike AT&T.
August 8	Prime rate raised from 10-1/2 percent to 11 percent by most major banks.

1983--Continued

August 23	The maximum rate on government backed mortgages fell from 13-1/2 percent to 13 percent.
September 1	Soviet Union shoots down Korean Airlines Flight 007, New York to Seoul, near the Soviet Island of Salhalin, just north of Japan.
November 1	Maximum rate on VA & FHA mortgages lowered from 13 percent to 12.5 percent.
November 3- December 21	Strike against Greyhound Lines Inc.
December 1	FHA mortgage interest rates begin to float. VA rates are still pegged.

1984

January 3	Breakup of AT&T becomes effective.
February 2	Contemporaneous reserve accounting is required by Fed for all but the very small deposit-taking institutions.
March 19	Prime rate raised from 11 percent to 11-1/2 percent.
March 20	Maximum rate on VA loans raised from 12-1/2 to 13 percent.
April 4	Prime rate raised from 11-1/2 percent to 12 percent.
April 9	Discount rate raised from 8-1/2 percent to 9 percent; the first change in 3 years.
May 5	Prime rate raised from 12 percent to 12-1/2 percent.

CHRONOLOGY--Continued

1984--Continued

June 26	Prime rate raised from 12-1/2 percent to 13 percent.
September 3 - December 7	Hotel and restaurant strike - San Francisco.
September 15 - October 14	UAW-General Motors strike.
September 28	Prime rate reduced from 13 percent to 12-3/4 percent.
October 16	Prime rate reduced from 12-3/4 percent to 12-1/2 percent.
October 28	Prime rate reduced from 12-1/2 percent to 12 percent.
November 7	Prime rate reduced from 12 percent to 11-3/4 percent.
November 21	Discount rate reduced from 9 percent to 8-1/2 percent.
November 28	Prime rate reduced from 11-3/4 percent to 11-1/4 percent.
December 17	Prime rate reduced from 11-1/4 percent to 10-3/4 percent.
December 24	Discount rate reduced from 8-1/2 percent to 8 percent.

1985

January 1	Federal price controls removed from approximately half of the natural gas produced in the United States.

1985 Continued

January 15	Prime rate reduced from 10-3/4 percent to 10-1/2 percent.
March 9	Home State Savings Bank Cincinnati, Ohio closed.
March 15	Seventy Ohio thrift institutions closed to prevent run on deposits.
March 25	Maximum rate on VA loans raised from 12-1/2 percent to 13 percent.
May 2	Auto manufacturer's initiate low interest loan programs.
May 17-June 14	United Airlines--Air Pilots Association strike.
May 17	Prime rate reduced from 10-1/2 percent to 10 percent.
May 20	Dow Jones Industrials close above 1,300 for the first time.
May 29	Presidents' tax reform plan unveiled.
June 18	Prime rate reduced to 9-1/2 percent from 10 percent.
July 16	Conventional mortgage rates fell to 12.03 percent average--the lowest since October 1979.
July 22-October 16	8,200 steelworkers on strike at Wheeling Pittsburgh--the industry's first major walkout in 26 years.
August 15	GM announces 7.7 percent financing rate program to run through October 2nd.

1985--Continued

August 20	Ford and Chrysler announce incentive plans including low interest loans and rebates on 1985 autos.
September 4	The Farm Credit System seeks a Federal bailout of its $74 billion loan portfolio.
September 15	A State Department of Housing and Community Development regulation requiring equal access on accessible levels of apartment houses with five or more units, for handicapped persons, went into effect.
September 16	Saudi Arabia announces plans to boost oil production and cut prices.
September 22	G-5 agreement to push the dollar lower.
November 7	Dow Jones Industrials close above 1400 for the first time.
December 10	World oil prices fall by more than a dollar after OPEC decides to abandon price supports.
December 12	President Reagan signs the budget deficit bill into law, raising the debt ceiling to $2 trillion and setting deficit targets for each year through 1991.
December 23	President Reagan signs the farm subsidy bill into law, creating a 5-year plan to bail out the Farm Credit System.

1986

January 1	Ceiling on Super NOW accounts was removed.
January 17	United Steel workers leaders agreed to allow rank-and-file members to vote on labor contracts for the first time in the union's history.
January 28	Space shuttle Challenger explosion destroys the spacecraft. Seven crew members died.
February 26	Corazon Aquino takes over Phillipines as the new president.
March 3	Dow Jones Industrials close above 1700 for the first time.
March 4	Yields on 10-year Treasury Notes fall below 8 percent for the first time in eight years.
	Oil prices fall to $12 per barrel.
March 7	The discount rate reduced from 7-1/2 percent to 7 percent, following similar cuts by Germany & Japan.
March 10	Prime rate cut to 9 percent from 9-1/2 percent.
March 21	Dow Jones Industrials close above 1800 for the first time.
	Conservative Chirac appointed as Prime Minister of France.
March 25	U.S. warplanes attacked two Libyan ships and a shoreline missile site after Libyan missiles were fired at U.S. planes in the Gulf of Sidra.

CHRONOLOGY--Continued

1986--Continued

April 1	Interest ceilings on passbook saving accounts ended.
	Oil prices fall to under $11 per barrel.
April 14	U.S. air strike against Libya.
April 21	U.S. Dollar reaches a post-WWII low against the Yen at 168.60.
	Discount rate cut from 7 percent to 6-1/2 percent.
	Prime rate cut to 8-1/2 percent from 9 percent.
April 23	Paul Volcker warns of public and private debt buildup as a threat to the economy.
April 25	Soviet nuclear plant at Chernobyl destroyed by fire.
May 12	U.S. dollar falls to 159.95 Yen.
May 22	U.S. proposes 35 percent tariff on Canadian cedar shakes and shingles for roofing, leading to a trade dispute between the U.S. and Canada.
June 1-June 26	CWA strike at AT&T.
July 7	The U.S. Supreme Court ruled that the Gramm-Rudman-Hollings mechanism for across the-board, automatic spending cuts was unconstitutional.

1986--Continued

July 7	The Dow Jones Industrial average was down a record 61.87 points.
July 10	The Fed lowered the discount rate from 6-1/2% to 6%.
July 11	Prime rate cut to 8 percent from 8-1/2 percent.
July 20	Prime rate cut to 7-1/2 percent.
August 1	United steelworkers strike for the first time since 1959. 44,000 workers were involved.
August 20	The discount rate was reduced from 6 percent to 5-1/2 percent.
August 27	The prime rate was cut to 7-1/2 percent from 8 percent.
August 28	General Motors Corp. introduces a new incentive program to lure consumers by an unprecedented auto loan rate of 2.9 percent.
September 4	Stock market prices soared as the Dow Jones Industrial average jumped 38.38 points to a closing record of 1919.17.
September 5	California bank and corporation tax law was amended to provide for a "Waters-Edge" election. This is an alternate treatment of taxable income.
September 11	The Dow Jones Industrial average plummeted a record 86.61 points, or 4.61 percent to 1792.89.

1986--Continued

October 22	President Reagan signs the tax reform bill into law, the first full scale remodification since 1954.
October 27-December 13	Union employees from Kaiser Foundation Hospital, Kaiser Permanente Medical Group, Inc. & Kaiser Foundation Health Plan strike
November 1	The savings bond rate dropped from 7-1/2 percent to 6 percent, affecting new issues only.

1987

January 1	California Legislature approved a measure, effective Jan. 1, 1987, giving school districts the local option to access $1.50 per square foot on new residental construction and $.25 per square foot on new nonresidential construction.
	Fannie Mae raises mortgage ceiling to $153,100 from $133,250.
	OPEC's 7 percent production cut went into effect. U.S. oil prices hit $18 per barrel.
January 8	The Dow Jones Industrial average topped the 2000 mark.
January 19	The Dow Jones Industrial average topped the 2100 mark.

1987--Continued

January 19	The California Trade Office opened in Tokyo.
	The dollar fell to a record low against the yen--150.49 yen to the dollar.
January 22	The Dow Jones Industrial average posted a record 51.60 percent gain to a new high of 2145.67.
February 5	Brazil suspends interest payments on commercial debt.
	The Dow Jones Industrial average topped the 2200 mark.
March 5	Ecuador is rocked by severe earthquake.
March 16	Fannie Mae announces it will not enter home equity loan market.
March 20	The Dow Jones Industrial average topped the 2300 mark.
March 24	U.S. dollar falls to post WW II low--148.5 yen to the dollar.
April 1	The prime rate increased from 7-1/2 to 7-3/4 percent.
April 6	The Dow Jones Industrial average topped the 2400 mark.
April 13	The California Trade Office opened in London.
May 1	The prime rate was increased from 7-3/4 percent to 8 percent.
May 5	Immigration amnesty program in effect.

CHRONOLOGY--Continued

	1987 (Continued)
May 7	The Farm Credit System formally asked Congress for a $6 billion loan from the Treasury.
May 15	The prime rate was increased to 8-1/4 percent from 8 percent.
May 17	The U.S.S. Stark was struck by an air-launched Iraqi missile in the Persian Gulf.
June 1	Penalties in place for employers of illegal aliens.
July 17	Dow Jones Industrials close over 2,500 for the first time.
July 22	Kuwaiti tankers placed under U.S. flag for transit through Persian Gulf.
August 10	Dow Jones index closes over 2,600 for 1st time.
August 11	Alan Greenspan sworn in as Chairman of the Federal Reserve Board.
August 17	Dow Jones index closes over 2,700 for 1st time.
September 4	Discount rate raised from 5-1/2 percent to 6 percent.
	Prime rate raised from 8-1/4 percent to 8-3/4 percent.
October 1	Severe earthquake hits Southern California. Epicenter near Whittier.

	1987 (Continued)
October 7	Prime rate raised from 8-3/4 percent to 9.25 percent.
October 14	Dow Jones Industrials fall a record 95 points.
October 15	Dow Jones Industrials down 58 points.
October 16	Dow Jones Industrials down a record 108 points.
October 19	Dow Jones Industrial average plunges 508 points, a record 22.6 percent one-day drop. Cumulative four-day decline of 769 points.
October 21	Dow up a record 187 points.
October 22	Prime rate cut to 9 percent from 9.25 percent.
November 2	Dollar falls to 40 year low of 136.95 Yen.
November 5	Prime rate cut to 8/75 percent from 9 percent.
November 23- November 24	Severe earthquakes hit Imperial County.
November 30	Dollar hits postwar lows against Yen and Mark.

REFERENCE DATES OF UNITED STATES BUSINESS CYCLES, 1854–1982

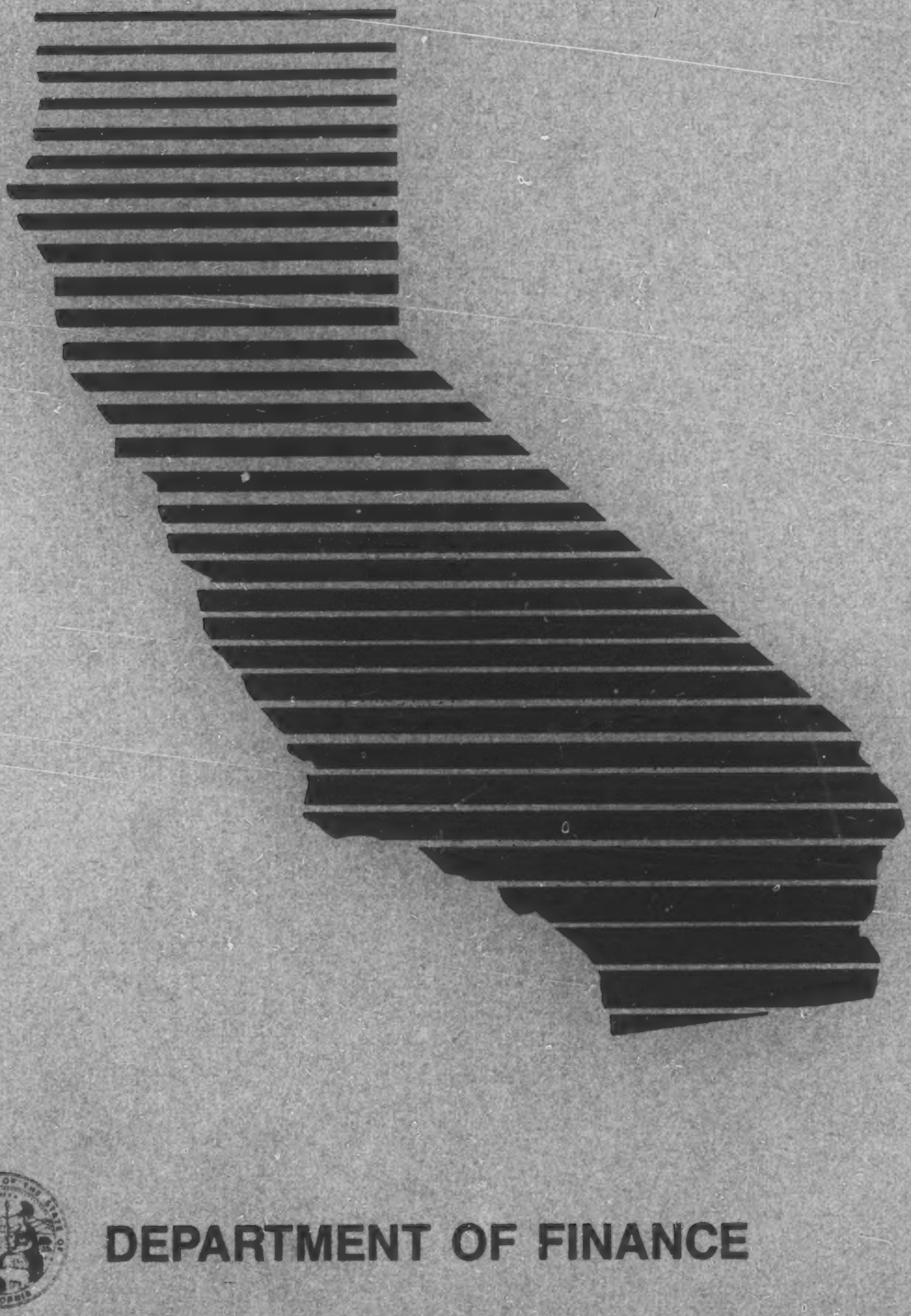
Initial Trough		Peak		Terminal Trough		Expansion (months)	Contraction (months)	Total (months)
Dec.	1854	June	1857	Dec.	1858	30	18	48
Dec.	1858	Oct.	1860	June	1861	22	8	30
June	1861	April	1865	Dec.	1867	46	32	78
Dec.	1867	June	1869	Dec.	1870	18	18	36
Dec.	1870	Oct.	1873	March	1879	34	65	99
March	1879	March	1882	May	1885	36	38	74
May	1885	March	1887	April	1888	22	13	35
April	1888	July	1890	May	1891	27	10	37
May	1891	Jan.	1893	June	1894	20	17	37
June	1894	Dec.	1895	June	1897	18	18	36
June	1897	June	1899	Dec.	1900	24	18	42
Dec.	1900	Sept.	1902	Aug.	1904	21	23	44
Aug.	1904	May	1907	June	1908	33	13	46
June	1908	Jan.	1910	Jan.	1912	19	24	43
Jan.	1912	Jan.	1913	Dec.	1914	12	23	35
Dec	1914	Aug.	1918	March	1919	44	7	51
March	1919	Jan.	1920	July	1921	10	18	28
July	1921	May	1923	July	1924	22	14	36
July	1924	Oct.	1926	Nov.	1927	27	13	40
Nov.	1927	Aug.	1929	March	1933	21	43	64
March	1933	May	1937	June	1938	50	13	63
June	1938	Feb.	1945	Oct.	1945	80	8	88
Oct.	1945	Nov.	1948	Oct.	1949	37	11	48
Oct.	1949	July	1953	May	1954	45	10	55
May	1954	Aug.	1957	April	1958	39	8	47
April	1958	April	1960	Feb.	1961	24	10	34
Feb.	1961	Dec.	1969	Nov.	1970	106	11	117
Nov.	1970	Nov.	1973	March	1975	36	16	52
March	1975	Jan.	1980	July	1980	58	6	64
July	1980	July	1981	Nov.	1982	12	16	28

SOURCES OF STATISTICAL SERIES

Employment Development Department Employment Data and Research	Civilian Employment Unemployment Unemployment rate Nonagricultural employment Manufacturing employment Hours and earnings Nonagricultural placements Initial claims for unemployment insurance Insured unemployment Index for production worker hours
Department of Industrial Relations Division of Labor Statistics and Research	California consumer price index
Department of Finance	Personal income Wages and salaries Index of leading indicators
Department of Motor Vehicles	New auto registrations
State Board of Equalization	Taxable sales
Security Pacific National Bank	Housing units authorized Valuation of nonresidential construction
U.S. Department of Commerce	Retail sales
U.S. Bureau of Labor Statistics	Consumer price indices
U.S. Department of Defense	Prime defense contracts
U.S. Department of Energy	Electricity production
California Redwood Association	Lumber production
Conservation Committee of California Oil Producers	Petroleum production
American Iron and Steel Institute	Steel production
U.S. Bureau of Mines	Cement production
California Secretary of State	New business incorporations
Federal Reserve Bank of San Francisco	Demand deposits Commercial and industrial loans
Coldwell Banker	Vacancy Rates

CALIFORNIA ECONOMIC INDICATORS

January 1988



DEPARTMENT OF FINANCE

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INTRODUCTION

California Economic Indicators is a bimonthly summary of economic trends and data relating to the State of California. Generally patterned after the U.S. Bureau of Economic Analysis publication *Business Conditions Digest*, the report contains regular features in each issue.

Developments in California over the most recent months are reviewed in a brief text, and then summarized in current data tables which show changes over the previous year. Charts containing monthly and quarterly series from 1978 are included to facilitate the review of current developments, and to appraise the significance of the developments on the State's economy. Much of the data in the report has been seasonally adjusted by the source agency or by the Department of Finance.

Reference dates for U.S business cycles, as determined by the National Bureau of Economic Research, are also shown. Finally, source are cited on the inside back cover to assist readers in obtaining any additional information on the statistical series published.

The Department of Finance welcomes suggestions on additions or changes which would make the *Indicators* a more useful publication. Correspondence should be addressed to the State of California, Department of Finance, Financial Research Unit, 1025 P Street, Sacramento, CA 95814.

Subscriptions are $8.00 per year, and begin with the January issue. The subscription price will be prorated throughout the year based upon the beginning subscription date, as shown below:

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REVIEW OF ECONOMIC DEVELOPMENTS

California's economy posted another year of solid growth in 1987. Indeed, given the current expansion's advanced age--the five-year mark was passed in November--California's performance last year was quite robust.

At the end of the year, the State's unemployment rate registered an 18-year low of 5.2 percent. Total civilian employment in December, at 13.2 million, was up more than 5 percent from the end-1986 level, while nonagricultural payrolls grew nearly 4 percent.

Population growth was also remarkably strong in 1987. The mid-year estimate of 27,663,000 was up 2.5 percent on the year, a growth rate not equalled since the early 'sixties. The numerical increase of 662,000 was the largest in more than 40 years.

Southern Tilt. Behind these summary statistics for the State, there were divergent trends regionally and among the major industries. Population growth, for example, was heavily concentrated in the south.

NUMERICAL POPULATION GROWTH
July 1986-87
Ten Leading Counties

1.	Los Angeles	153,300
2.	San Diego	82,100
3.	San Bernardino	68,700
4.	Riverside	55,400
5.	Orange	42,400
6.	Sacramento	33,300
7.	Ventura	14,900
8.	Contra Costa	14,700
9.	Alameda	14,600
10.	San Joaquin	14,300
	CALIFORNIA	662,000

Source: California Dept. of Finance
Population Research Unit

The top five counties in terms of numerical growth were all in Southern California, together accounting for more than 60 percent of the State's population growth.

In percentage terms, the fastest growing county was Calaveras, which posted a 6.9 percent gain. But among counties with populations of 100,000 or more, Riverside (up 6.4 percent) and San Bernardino (6.1 percent) were the fastest growing. Percentage increases were generally higher among the inland counties, including the Central Valley and Mother Lode (Sierra foothill) regions.

PERCENTAGE POPULATION GROWTH
July 1986-87
Ten Leading Counties

1.	Calaveras	6.9
2.	Lassen	6.4
3.	Riverside	6.4
4.	Tuolumne	6.2
5.	San Bernardino	6.1
6.	Amador	5.8
7.	El Dorado	4.7
8.	Nevada	4.5
9.	San Benito	4.4
10.	Stanislaus	4.1

Source: California Dept. of Finance
Population Research Unit

Tight Labor Markets? Unemployment figures also show considerable regional variance. Jobless rates are generally very low in the larger metropolitan counties along the coast, but quite high in more rural counties. The county figures are not adjusted for seasonal variations, and jobless rates are normally higher during fall and winter months in predominately agricultural areas.

In November, the latest month for which county figures are available, unemployment rates ranged from 3 percent or less in San Mateo, Marin and Orange counties, 4 to 4-1/2 percent in Santa Clara, San

Francisco, San Diego, Alameda, Contra Costa and Los Angeles counties, to a high of 19.7 percent in Imperial County. Labor market conditions are generally considered to be "tight" when the unemployment rate falls below 5 percent. It is not surprising, therefore, to find labor shortages cropping up in parts of the San Francisco Bay, Los Angeles and San Diego areas.

UNEMPLOYMENT RATES
Larger Counties
November 1987
(Not Seasonally Adjusted)

County	Rate (%)
San Mateo	2.7
Marin	2.9
Orange	3.0
Santa Clara	4.0
San Francisco	4.1
San Diego	4.4
Alameda	4.5
Contra Costa	4.5
Los Angeles	4.5
Sonoma	4.6
Santa Barbara	4.7
San Bernardino	4.9
CALIFORNIA	5.1
Sacramento	5.3
Ventura	5.5
Solano	5.6
Riverside	6.2
Monterey	8.5
San Joaquin	10.2
Kern	10.4
Fresno	11.2
Tulare	11.7
Stanislaus	11.7

Taking a somewhat longer perspective, it is also interesting to note the change in the composition of unemployment over the past five years of economic expansion. During that time, the jobless rate has been cut by more than half, from 11.2 percent to 5.2 percent. Because of labor force growth, the reduction in the absolute number of unemployed has been somewhat less dramatic, down 47 percent from 1,371,000 in December 1982 to 729,000 at the end of last year.

The improved labor market has had a major effect on the duration of unemployment. In December 1982, more than 250,000 had been seeking work for more than six months, and these long-term jobless accounted for 18.6 percent of all unemployment. Five years later, only 66,000 had been out of work as long as 26 weeks, and they accounted for fewer than 10 percent of total unemployment.

Employment Gains. On the employment side of the ledger, gains were recorded in virtually every major industry sector last year. Goods producing industries--manufacturing, construction and mining--added 78,000 jobs. Service producing activities, including trade, finance, government and diverse services, accounted for almost 80 percent of last year's job growth.

As usual, the broad services category added the largest number of jobs, up 131,000 from December 1986. Within this diverse group, the strongest growth was in business services, ranging from advertising, computer programming and data processing, to building maintenance, equipment repair and employment agencies.

Health care was the second fastest growing service component, followed closely by "other" services, comprised mainly of professionals such as accountants, lawyers, engineers, architects, and social service personnel. Together, these three relatively high paying categories accounted for 77 percent of all new services jobs in the State last year.

Uptick in Prices. Inflation picked up somewhat in 1987, with the California consumer price index up 4 percent on an annual average basis, compared to a 3.2 percent increase in 1986. Nationally, consumer prices averaged a 3.7 percent rise for the year.

The Los Angeles area index rose 4.2 percent, while the San Francisco area was up 3.3 percent. Medical care costs were the fastest rising component, up 7.2 percent in both metropolitan regions and 6.6 percent nationally. At the other end of the spectrum, utility costs declined about 1 percent nationally and in the two California areas.

Real Estate Trends. Office space remains plentiful throughout California, although vacancy rates are inching down, according to Coldwell Banker's quarterly survey. In December, office vacancies ranged from 16.3 percent in the San Francisco (West Bay) area and 16.8 percent in Los Angeles County, to highs of 25 percent in the Oakland/East Bay and San Jose areas. All areas reported declining vacancy rates ranging from 1/2 to 3 percent from end-1986 levels.

OFFICE VACANCY RATES

Area	Dec 87	Dec 86	Chg
Los Angeles	16.8	17.3	- .5
Orange Co.	21.3	23.3	-2.0
San Diego	23.0	23.6	- .6
Ventura Co.	18.5	na	na
Sacramento	19.6	21.3	-1.7
San Francisco	16.3	19.4	-2.9
Oakland/E.Bay	25.0	28.3	-3.3
San Jose	24.9	26.6	-2.7
National Avg.	20.7	21.5	- .8

Figures for combined Downtown and Suburban areas where applicable.

Source: Coldwell Banker

Homebuilding activity slowed noticeably in the latter months of the year. With figures available for eleven months, it appears that 240,000 new housing units were authorized in California last year, down from 304,000 in 1986. In reality, the annual decline was much smaller, because as many as 25,000 permits were issued late in 1986 (ahead of a new schools fee) which under normal circumstances would have been authorized in 1987.

However, October and November permit volume, at annual rates of 207,000 and 222,000, were off significantly from the average of the past two years. The decline in activity is most evident in the five-plus unit category, suggesting that tax considerations and, in some areas, reports of rising apartment vacancy rates may now be having an effect on homebuilding.

The California Association of Realtors reports that existing home sales continued at a brisk 550,000 unit annual pace during September and October. The recent figures are among the better reported for 1987. Indeed, preliminary indications are that despite a decline in resale activity nationally last year, existing home sales increased slightly in California during 1987.

ECONOMIC OUTLOOK: THE EXPANSION CONTINUES

The Nation

The nation's economy continued on a course of moderate growth in 1987. Passing the five-year mark in November, the upturn is now the longest peacetime expansion in history. Business expansions, however, rarely die of old age, and despite October's break in the stock market, most signs point to continued growth this year, and probably 1989 as well.

To review developments in 1987, real GNP growth of 2.9 percent was in line with the economy's long term trend and potential. The jobless rate ended the year at 5.8 percent, an eight and one-half year low, and although there was some pickup in inflation, the rise in consumer prices averaged 3.7 percent--still quite subdued by recent standards.

Among major sectors of the economy, growth in consumer spending slowed to about 2 percent in real terms, less than half the 1986 pace. Given the historically high household debt burden as 1987 began, the leveling off of consumer buying can be viewed as a positive development. The growth of government purchases was also substantially less in 1987 than in previous years.

Adding to growth last year, business investment showed renewed strength, with a pronounced upturn in spending for new equipment. The greatest improvement in real terms was to be found in the net export balance. U.S. exports rose strongly during the year, reflecting the better competitive position of American producers in light of the lower value of the dollar in international markets. Imports meanwhile, rose less than in previous years. As a result, the trade deficit in real terms was considerably better than in 1986.

Turning to the outlook, there are three critical elements which must be assessed: consumer confidence, which appears to have remained largely intact despite the nosedive in stock prices; the net export situation; and trends in interest rates. Recent developments suggest that improvement in each of these areas is likely in the period ahead.

The stock market remains Topic A in any discussion of economic prospects. The initial impact of the sharp drop in share prices seems to have been tempered as the new year began. Essentially, the October drop in stock prices merely retraced the runup earlier in the year, a fact which would temper any wealth effect. In addition, the negative effect of stock prices was at least partially offset by the improvement in the bond market.

The easing of interest rates from mid-October reflects policymakers' commitment to maintain economic activity on an even keel. The forecast assumes that monetary policy will remain mildly accommodative. Interest rates, therefore, are seen moving in a relatively narrow band, with the banks' prime rate fluctuating between 8-1/2 and 9-1/2 percent, and fixed rate mortgages ranging from 10 to a little over 10-1/2 percent.

Fiscal policy is assumed to inch toward the goal of reducing the budget deficit. Real nondefense purchases continue to decline and the growth of defense outlays is reduced to 1 percent or less this year and next.

Consumer spending, accounting for two-thirds of GNP, remains the most important element in the outlook. Growth in household spending is expected to remain rather sluggish, reflecting some easing in employment and income gains. In addition, for the time being at least, consumers are expected to remain cautious in their use of credit, implying continued softness in sales of cars and other big ticket items.

New car sales are expected to decline to 9.6 million units this year from 10.2 million in 1987. Overall, real consumer outlays are forecast to advance 1.3 percent this year, picking up to around 2 percent in 1989.

In the business sector, growth in business investment will emphasize equipment rather than structures during the period ahead. Increased exports, among other factors, have led to a pickup in manufacturing activity. The resulting rise in capacity utilization has stimulated equipment purchases for replacement and expansion needs. Spending on structures, in contrast, will be held in check by surplus office space in many markets.

Net exports will again be a crucial element in the economy's performance. The volatile monthly trade figures--which are not adjusted for either normal seasonal variations or prices--remain a matter of concern, particularly to the financial markets. However, in real terms, the overall net export gap has been narrowing for well over a year.

Given recent movements in the dollar exchange rate, export volume should continue to rise. Imports are closely tied to consumer demand. Rising import prices, coupled with the generally lackluster pattern of household buying, would seem to indicate a further slowing of real import volume in the months ahead. Hence, there are grounds for optimism that the real net export balance will continue to improve.

Overall, real GNP growth is forecast at slightly over 2 percent this year and next. Employment gains are expected to average about 2 percent annually and the jobless rate is seen hovering near the 6 percent mark this year and next.

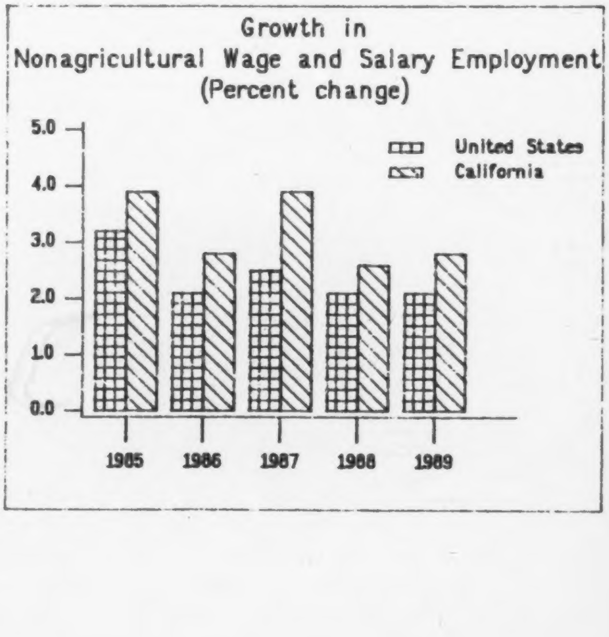
Inflation is likely to be contained, with consumer prices rising about 4 percent this year and perhaps 4-1/2 percent in 1989. There remains little evidence of wage pressures, and energy costs are likely to be contained. Rising import prices will be the source of the modest forecast pickup in inflation.

California

The pace of economic activity in California continues to outperform the nation by a comfortable margin. Last year, employment growth of just under 4 percent was well above the national increase of 2-1/2 percent as measured by nonagricultural payrolls.

California personal income grew almost 8 percent, considerably above the 5.7 percent advance for the U.S. as a whole. The jobless rate, while showing typical month-to-month volatility, reached an 18 year low of 5.2 percent in December, and for the year the 5.7 percent average was half a percentage point less than the U.S.

Of particular note was the improvement in manufacturing employment, which had been quite weak in 1986 and early 1987. Gains were registered in food processing--a result of large harvests--but also in the high technology aerospace and electronics industries.



Farm incomes continued to strengthen, posting an estimated 11 percent gain in 1987 following an 18 percent jump the previous year. In many instances, large crops have failed to depress prices significantly.

Over the next two years, California is again expected to do better than the nation. The margin, however, may be somewhat less than in 1987. On the positive side, the weak dollar will benefit several major sectors, including agriculture, tourism and manufacturing.

In the farm sector, markets for California specialty crops should remain buoyant, both at home and overseas, pointing to further solid gains in farm incomes.

The firming of business equipment outlays, as well as dollar exchange rate trends, should benefit the electronics industries. Other manufacturing, including chemicals, paper and wood products, should also see improved markets in the months ahead.

However, reduced growth in the defense budget will result in a leveling of aircraft and other defense-related employment by late this year. This will be more than offset by the strengthening in the electronics group, and total high technology manufacturing employment will continue to rise.

Following the national trend, growth in the finance sector is expected to slow. Given the outlook for consumer spending, gains in wholesale and retail trade will also be held in check.

California's homebuilding industry has enjoyed three consecutive years of robust activity, with the State's share of the nation's housing production averaging over 15 percent, well above the historical norm.

Homebuilding is expected to decline slightly this year and next, although activity will remain strong at more than 200,000 units each year. Multiple family construction is expected to bear most of the drop, reflecting the 1986 tax law changes and rising rental vacancy rates which have recently been reported in some areas.

Consumer price increases in California are expected to be somewhat higher than the national average, up 5 percent this year and nearly as much in 1989. The major element in this forecast is higher homeowners' costs, especially in Los Angeles where house prices increased noticeably in 1987.

To sum up, the forecast projects moderate growth for California, with non-agricultural payroll employment gains in the 2-1/2 to 3 percent range this year and next. Personal income is expected to average slightly more than 6-1/2 percent growth each year, and the jobless rate may rise slightly, reaching the 6 percent mark in 1989. By each of these measures, California will continue to grow faster than the national economy over the forecast horizon.

Forecast Risks

There is an unusual degree of uncertainty in the current economic environment. It is still quite possible that the sharp decline in stock prices will result in a significant loss of confidence on the part of consumers, businesses and foreign investors. A reduction in the flow of foreign capital could result in a rise in interest rates, despite weak domestic demand, ultimately leading to a recession.

On the upside, the recent lowering of interest rates coupled with the weaker dollar could lead to a surge in economic activity. Higher growth would prompt increased wage demands and a surge in commodity prices, resulting in higher inflation.

At this point, however, economic events seem to be unfolding in a way consistent with the "middle of the road," moderate growth forecast outlined above.

SELECTED U.S. ECONOMIC INDICATORS

				Percent Change-Prior Year		
	1987	1988	1989	1987	1988	1989
REAL GNP (1982$ Bil)	3809.0	3890.1	3969.9	2.6	2.1	2.1
Consumption	2495.6	2527.7	2579.7	1.8	1.3	2.1
Residential Investment	196.1	193.1	191.2	-0.2	-1.5	-1.0
Business Fixed Investment	446.3	461.7	465.3	0.6	3.4	0.8
Business Inventory Change	32.9	15.5	20.0			
Net Exports	-131.2	-89.3	-79.9			
Government Purchases	769.2	781.4	793.6	1.9	1.6	1.6
REAL FINAL SALES (1982$ Bil)	3776.0	3874.6	3949.9	2.1	2.6	1.9
PERSONAL INCOME ($ Bil)	3734.7	3924.8	4149.5	5.7	5.1	5.7
Savings Rate	3.3%	3.2%	2.7%			
EMPLOYMENT AND UNEMPLOYMENT						
Civilian Labor Force (Mil)	119.9	122.2	124.7	1.7	1.9	2.1
Civilian Employment (Mil)	112.4	114.4	116.8	2.6	1.8	2.1
Unemployment (Mil)	7.5	7.8	7.9	-9.4	4.0	2.1
Unemployment Rate (Pct)	6.2%	6.3%	6.4%			
Non Farm W&S Empl (Mil)	102.1	104.2	106.4	2.5	2.1	2.1
FINANCIAL INDICATORS						
Money Supply M1 ($Bil)	751.3	797.0	859.3	11.6	6.1	7.8
Money Supply M2 ($Bil)	2860.6	3092.0	3407.5	6.7	8.1	10.2
Federal Funds Rate (Pct)	6.6	6.4	6.8			
Bank Prime Rate (Pct)	8.2	8.6	9.1			
Mortgage Rate (Pct)	10.1	10.2	10.4			
Cons. Install. Credit ($Bil)	593.4	653.9	723.0	6.8	10.2	10.6
PRICES						
CPI All Items (1967=100)	340.7	354.8	370.5	3.7	4.1	4.4
GNP Deflator (1982=100)	117.6	121.4	125.6	3.1	3.2	3.5
PRODUCTION AND SALES						
Industrial Production (67=100)	129.3	132.8	135.0	3.4	2.7	1.7
Housing Starts (Units Mils)	1.66	1.65	1.60	-9.0	-0.4	-3.0
New Car Sales (Units Mils)	10.2	9.6	10.0	-11.1	-5.2	3.4
CORPORATE PROFITS ($Bil)						
Economic Profits (w/IVA,CCA)	305.0	297.3	311.4	7.2	-2.5	4.7
Corporate Profits Pre tax	270.1	253.6	265.8	16.5	-6.1	4.8

Note: 1987 estimated based on data available through December 1, 1987.

SELECTED CALIFORNIA ECONOMIC INDICATORS

				Percent Change-Prior Year		
	1987e	1988	1989	1987	1988	1989
EMPLOYMENT (Thous)						
Civilian Employment	12,967	13,221	13,411	4.0	2.0	1.4
Unemployment Rate (%)	5.8%	5.8%	6.1%			
Nonagricultural Employment	11,718	12,027	12,362	3.9	2.6	2.8
Mining	41	43	44	-2.5	4.5	3.1
Construction	591	583	586	11.1	1.2	0.5
Manufacturing	2,099	2,136	2,200	2.0	1.7	3.0
Nondurable Goods	677	680	703	4.7	0.4	3.3
Durable Goods	1,422	1,455	1,497	0.8	2.4	2.9
Aerospace/Electronics	759	770	789	4.7	0.4	3.3
Transportation-Utilities	583	591	605	1.0	1.4	2.5
Wholesale-Retail Trade	2,798	2,874	2,955	3.1	2.6	2.7
Finance, Insurance, Real Est.	802	824	843	4.8	2.8	2.3
Services	2,924	3,051	3,157	5.9	4.4	3.4
Government	1,881	1,926	1,973	2.6	2.4	2.4
PERSONAL INCOME ($Mil)						
Total Personal Income	491,573	523,474	558,571	7.8	6.5	6.7
Wages and Salaries	292,670	313,781	336,311	8.5	7.2	7.2
Other Labor Income	47,423	51,563	55,358	7.2	7.5	6.9
Proprietors' Income	47,423	51,563	55,358	12.6	8.7	7.1
Farm	4,998	5,341	5,796	11.2	6.9	8.5
Nonfarm	42,425	46,222	49,562	12.8	8.9	7.2
Interest, Dividends, Rent	80,501	84,549	89,376	4.8	5.0	5.7
Transfer Payments	64,829	68,080	71,745	5.8	5.0	5.4
Less: Contributions for Social Insurance	22,052	24,789	26,569	9.5	12.4	7.2
Residence Adjustment	251	256	258			
CONSUMER PRICE INDEX (1967=100)						
California CPI	353.2	370.9	388.7	4.2	5.0	4.8
Los Angeles CPI	345.1	363.3	380.9	4.4	5.3	4.9
San Francisco CPI	354.8	370.8	387.9	3.3	4.5	4.6
HOUSING AND SALES (Thous)						
Total Housing Units Authorized	248	220	203	-18.3	-11.4	-8.0
Single Family	135	129	118	-6.6	-4.5	-8.3
Units in Multiples	115	91	85	-28.1	-20.5	7.4
New Passenger Car Registrations	1,374	1,211	1,298	-3.5	-12.0	7.2
Total Taxable Sales ($Bil)	231.6	244.8	259.4	6.5	5.7	6.0

Note: 1987 estimated based on data available on December 1, 1987.

EMPLOYMENT
(Seasonally Adjusted)

	1987				1986	Percent Change Dec 1986-Dec 1987
	Dec	Nov	Oct	Sep	Dec	
Civilian Employment (000)	13,247	13,191	12,979	13,026	12,569	5.4
Unemployment (000)	729	737	822	797	907	-19.6
Unemployment rate	5.2	5.3	6.0	5.8	6.7	--
Nonagricultural wage and salary employment [a] (000)	11,899.7	11,875.1	11,822.4	11,796.1	11,531.2	3.2
Mining	40.4	40.7	40.9	40.6	38.5	4.9
Construction	604.6	599.8	597.0	594.4	576.2	4.9
Manufacturing	2,126.2	2,123.6	2,112.7	2,101.3	2,074.4	2.5
Aerospace [b]	762.7	760.5	758.5	757.9	753.6	1.2
Transportation and Public utilities	585.7	584.7	581.0	579.1	588.1	-0.4
Trade	2,853.6	2,854.0	2,840.9	2,825.3	2,775.1	2.8
Finance, insurance and real estate	807.7	805.5	802.6	805.8	779.8	3.6
Services	2,974.1	2,966.4	2,950.9	2,943.2	2,843.3	4.6
Government	1,907.4	1,900.4	1,896.4	1,906.3	1,855.8	2.8
Federal	349.4	348.2	347.3	346.4	344.0	1.6
State & local	1,558.0	1,552.2	1,549.1	1,560.0	1,511.8	3.1

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[a] Interim series of wage and salary workers. This unofficial series is adjusted for the latest tabulations of unemployment insurance coverage and approximates what the official data will be when estimates are updated at year end.

[b] The Interim Series does not give a breakdown for aerospace employment. These values are from the EDD official employment series, and are not seasonally adjusted.

n.a. Not available

HOURS AND EARNINGS IN MANUFACTURING

	1987				1986	Percent Change Dec 1986-Dec 1987
	Dec	Nov	Oct	Sep	Dec	
Average weekly hours [c]	41.1	41.0	40.6	39.9	41.1	0.0
Average weekly earnings	$451.28	$446.08	$437.26	$434.11	$434.84	3.8
Average hourly earnings	$10.98	$10.88	$10.77	$10.88	$10.58	3.8

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[c] Not seasonally adjusted.

TRADE
(Seasonally Adjusted)

	1987				1986	Percent Change
	Oct	Sep	Aug	Jul	Oct	Oct 1986-Oct 1987
Retail sales (millions)	15,522	15,221	15,176	15,275	14,478	7.2
New auto registrations (number)	113,614	125,979	128,885	127,696	136,492	-16.8

CONSUMER PRICE INDEX
(1967 = 100)

	1987				1986	Percent Change
	Dec	Nov	Oct	Sep	Dec	Dec 1986-Dec 1987
All Urban Series						
California Average	358.7	357.9	358.5	356.8	341.1	5.2
San Francisco	360.9	360.5	359.9	358.5	343.6	5.0
Los Angeles	350.2	349.3	350.4	348.6	332.9	5.2
Wage Earner and Clerical Worker Series						
California Average	347.1	346.3	346.8	345.1	330.1	5.1
San Francisco	354.4	353.9	353.2	351.4	337.0	5.2
Los Angeles	342.0	341.1	342.1	340.4	325.3	5.1

PRODUCTION

	1987				Percent Change
	Dec	Nov	Oct	Sep	Dec 1986-Dec 1987
Petroleum (000 barrels daily)	n.a.	n.a.	1,109	1,071	--
Portland cement (000 short tons)	n.a.	785.7	899.1	895.5	--
Selected redwood and whitewood mill production (mil. board feet)	60.8	60.3	90.6	71.3	-2.5

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n.a. Not available

CONSTRUCTION

	1987				1986	Percent Change
	Nov	Oct	Sep	Aug	Nov	Nov 1986–Nov 1987
Private Residential Housing Units Authorized (000) [a]	222.3	207.5	216.4	227.8	275.3	-19.3
Single Units	120.6	113.8	129.8	127.8	128.6	-6.2
Multiple Units	101.7	93.7	86.6	100.0	146.7	-30.7
Residential Building Authorized Valuation (millions) [b]	$1,477	$1,463	$1,636	$1,594	$1,590	-7.1
Nonresidential Building Authorized Valuation (millions) [b]	$1,106	$967	$1,148	$981	$1,214	-8.9
Nonresidential Building Authorized Valuation (millions) [c]	$980	$1,089	$1,168	$1,109	$1,076	-8.9
Commercial	$458	$518	$473	$367	$464	-1.3
Industrial	$169	$139	$129	$173	$157	7.5
Other	$115	$147	$276	$242	$183	-37.4
Alterations & Additions	$238	$285	$290	$327	$272	-12.7

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[a] Seasonally adjusted annual rate.
[b] Seasonally adjusted.
[c] Not adjusted for seasonal variation.
n.a. Not available

VACANCY RATES FOR DECEMBER 1987
(Percent)

	Office			
	Total	Downtown	Suburban	Industrial
Northern & Central California				7.9
Oakland - East Bay	25.0	16.6	27.6	
Sacramento	19.6	12.6	22.0	
San Francisco	16.3	13.8	19.7	
San Jose	24.9	26.1	24.6	
Southern California				6.3
Los Angeles	16.8	13.2	17.7	
Orange County	21.3	n.a.	n.a.	
San Diego	23.0	12.8	27.7	
National Average	20.7	16.3	22.8	5.5

MEDIAN PRICE OF EXISTING SINGLE-FAMILY HOMES

1986	Jul	$137,117	1987	Jan	$126,532	Jul	$141,599
	Aug	$135,591		Feb	$128,372	Aug	$143,876
	Sep	$132,743		Mar	$135,278	Sep	$143,882
	Oct	$127,387		Apr	$137,853	Oct	$144,786
	Nov	$129,767		May	$140,853	Nov	$143,043
	Dec	$130,565		Jun	$141,541	Dec	$144,392

LEADING INDICATORS

		Manufacturing		New Business Incorporations
		Overtime Hours	Average Weekly Hours	
1987	Jan	4.2	40.2	5,605
	Feb	3.6	40.3	5,362
	Mar	3.4	40.6	5,967
	Apr	3.3	39.7	4,012
	May	3.7	40.5	4,688
	Jun	3.7	40.4	5,144
	Jul	3.7	40.4	5,327
	Aug	3.6	40.5	4,840
	Sep	3.5	39.9	5,395
	Oct	3.8	40.6	4,596
	Nov	3.9	40.7	4,419
	Dec	3.7	40.3	n.a.

		Unemployment Insurance Initial Claims	Housing Unit Authorizations (Thousands)
1987	Jan	57,054	275.5
	Feb	57,270	238.0
	Mar	56,008	294.9
	Apr	53,258	283.9
	May	49,502	203.2
	Jun	52,993	261.3
	Jul	52,319	249.0
	Aug	50,412	227.8
	Sep	49,846	216.4
	Oct	47,670	207.5
	Nov	52,259	222.3
	Dec	52,282	n.a.

Note: All data seasonally adjusted.

n.a. Not Available

COINCIDENT INDICATORS

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Thousands)	Insured Unemployment Average Weeks Claimed (Thousands)
1987	Jan	11,544	2,094	6.2	357
	Feb	11,605	2,098	6.2	368
	Mar	11,618	2,096	6.0	394
	Apr	11,653	2,094	5.8	359
	May	11,667	2,093	6.1	335
	Jun	11,689	2,095	5.5	347
	Jul	11,736	2,095	5.5	317
	Aug	11,742	2,096	5.4	331
	Sep	11,796	2,101	5.8	328
	Oct	11,822	2,113	6.0	294
	Nov	11,875	2,124	5.3	317
	Dec	11,900	2,126	5.2	326

		Personal Income (Millions)	Wages & Salaries from Mining, Construction & Manufacturing (Millions)	Taxable Sales (Millions)
1986	Qtr IV	$469,659	$74,898	$55,746
1987	Qtr I	$481,563	$73,256	$55,642
	Qtr II	$487,739	$75,088	$57,502
	Qtr III	$494,720	$75,726	$59,181

OTHER INDICATORS

		DOD Prime Contracts (Millions)			Electricity Production (Million Kwh)
1985	Qtr III	7,790	1987	Jan	9,777
	Qtr IV	7,346		Feb	10,626
				Mar	11,393
1986	Qtr I	6,849		Apr	11,859
	Qtr II	5,697		May	10,764
	Qtr III	7,361		Jun	10,830
1986	Qtr IV	3,901		Jul	10,189
				Aug	10,712
				Sep	10,864
1987	Qtr I	5,767		Oct	11,714

Note: All data seasonally adjusted.

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are production worker man-hours, insured unemployment, manufacturing employment, and taxable sales. These series are discussed in the technical note below.

TECHNICAL NOTE

Whenever appropriate, data used in the charts have been seasonally adjusted. The series on average weekly hours of production workers in manufacturing and production worker man-hours are adjusted by the Bureau of Labor Statistics method. Other series have been adjusted by the Bureau of the Census (Shiskin) method. Persons interested in a detailed description of these methods are referred to the U.S. Department of Labor, Bureau of Labor Statistics, the BLS Seasonal Factor Method (1964); and the U.S. Department of Commerce, Bureau of the Census. Technical Paper No. 15, The X-11 Variant of the Census Method II. Seasonal Adjustment Program (November 1965).

Under the Census Bureau seasonal method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

Production Worker Man-Hours

This series is a substitute for the man-hours in nonagricultural establishments series used in the Census Bureau's publication, Business Cycle Developments. It is the cross product of average weekly hours of production workers in manufacturing and manufacturing employment. Workweek data are a leading indicator. Manufacturing employment appears to be a coincident indicator, although at times it seems to lead economic downturns. Because of this, the man-hours series has been classified in the present publication as a leading indicator.

Insured Unemployment

The series on total insured unemployment is being used rather than the insured unemployment rate included in the Census Bureau's indicator list. The insured rate is available only with a lag of nine months, which precludes its usefulness as a current indicator.

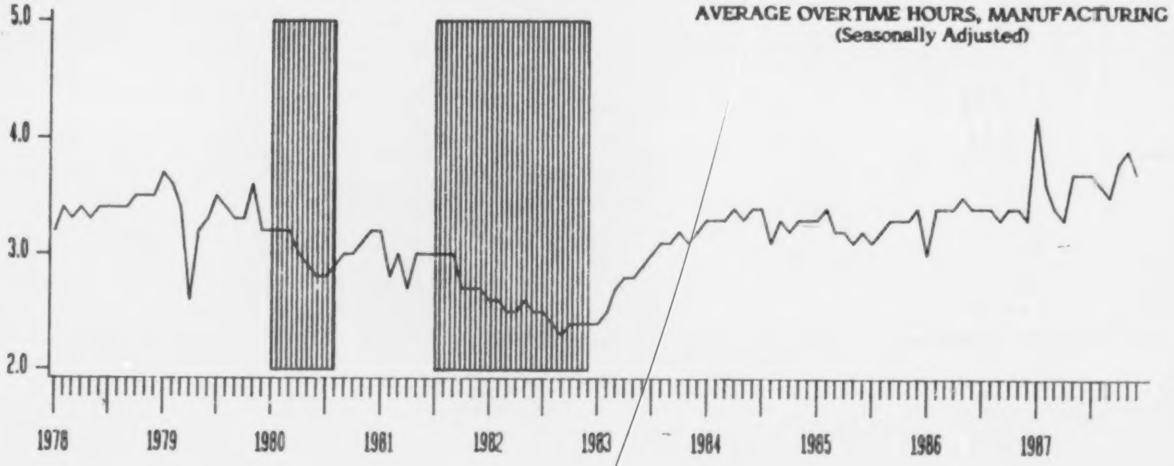
Manufacturing Employment

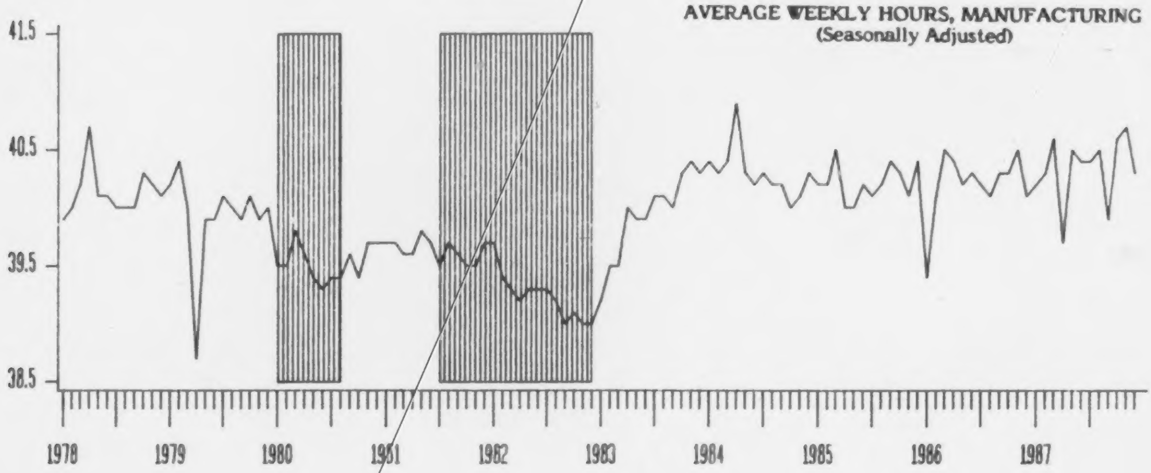
This series is also an addition to the Census Bureau indicator list. It was used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

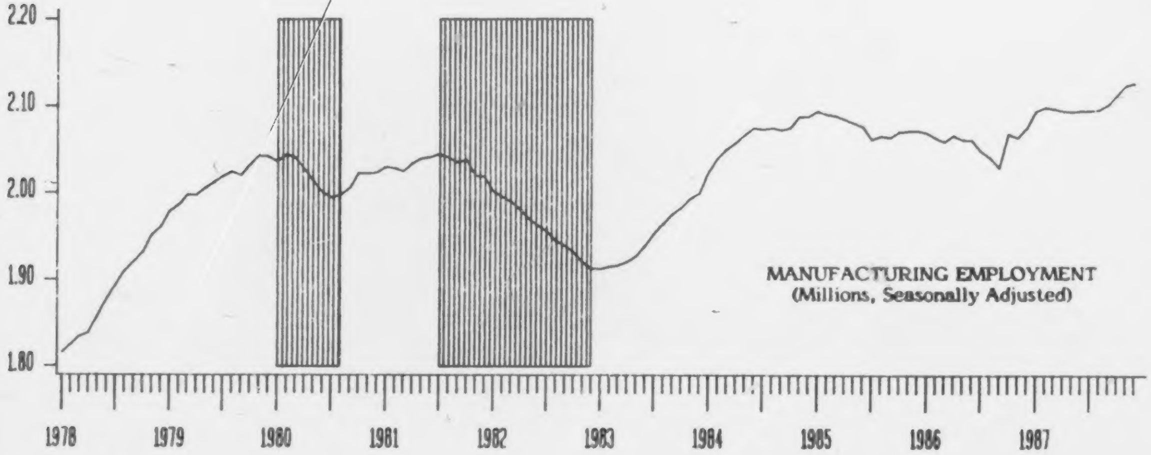
Taxable Sales

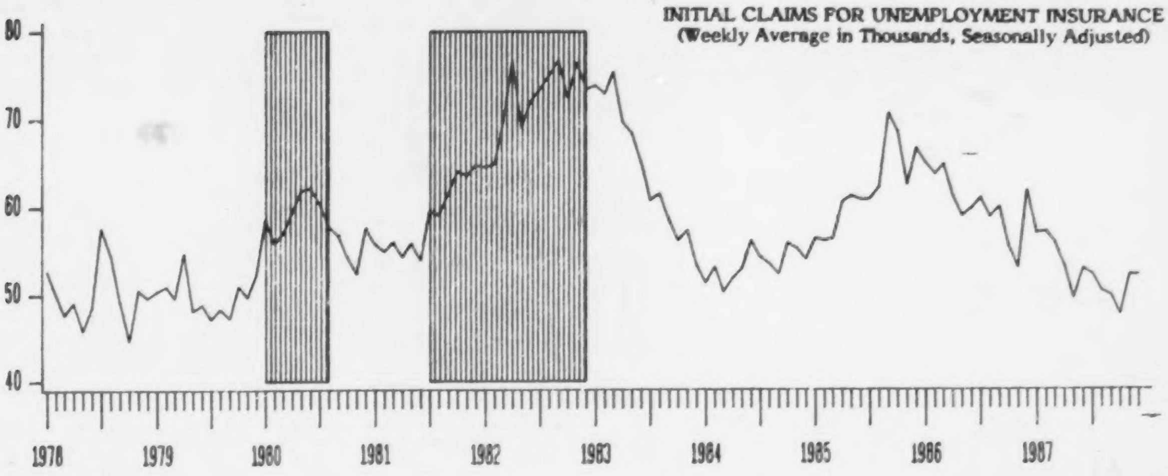
Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is therefore a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950.

The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

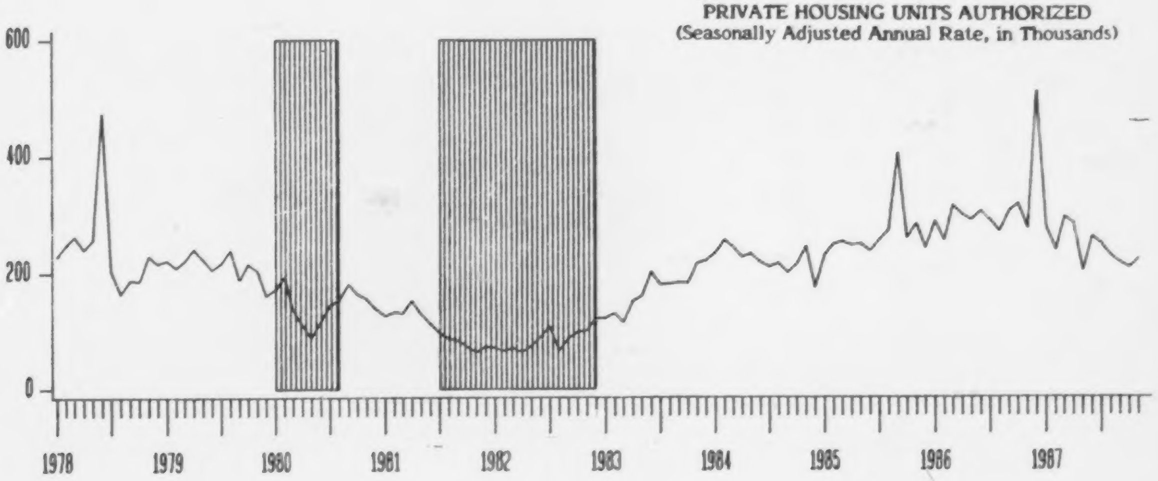

AVERAGE OVERTIME HOURS, MANUFACTURING
(Seasonally Adjusted)


AVERAGE WEEKLY HOURS, MANUFACTURING
(Seasonally Adjusted)

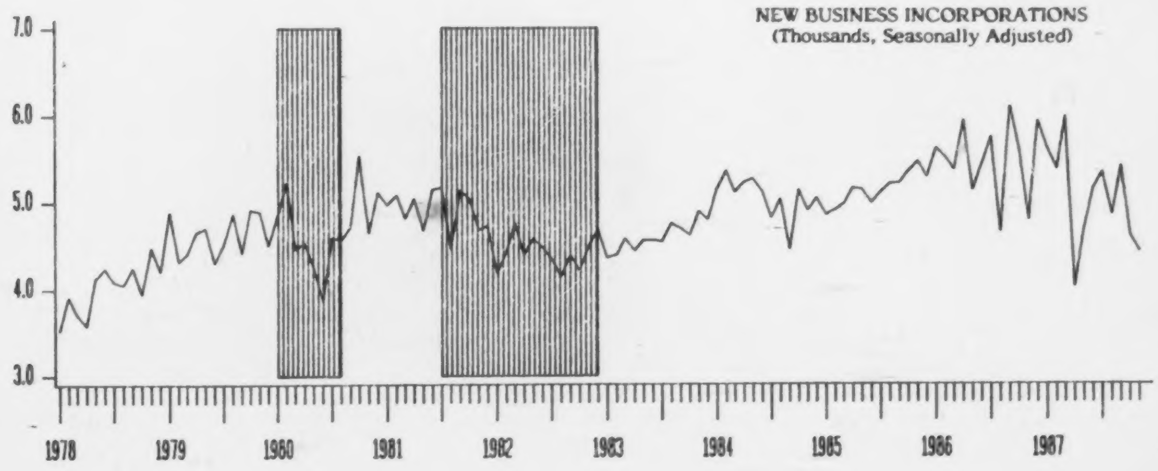

MANUFACTURING EMPLOYMENT
(Millions, Seasonally Adjusted)



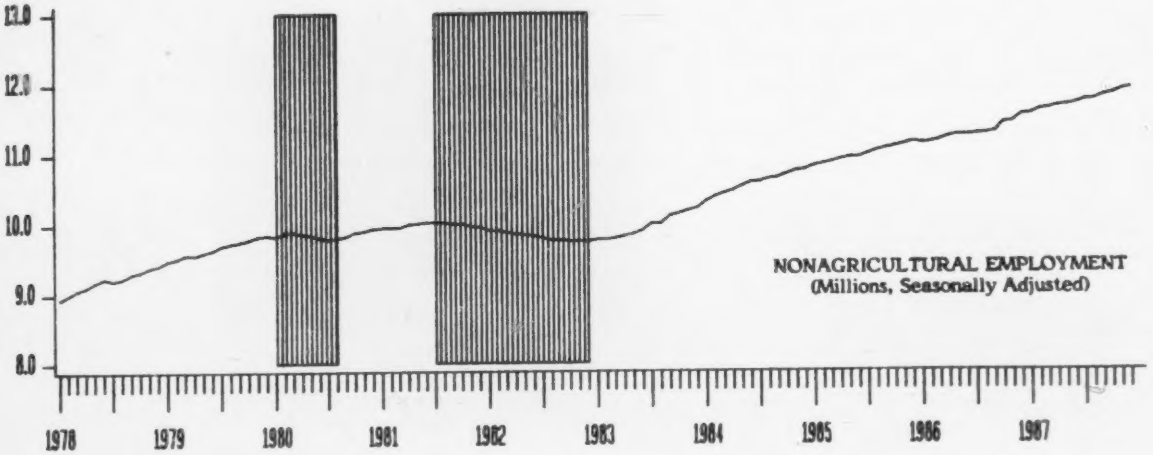
INITIAL CLAIMS FOR UNEMPLOYMENT INSURANCE
(Weekly Average in Thousands, Seasonally Adjusted)



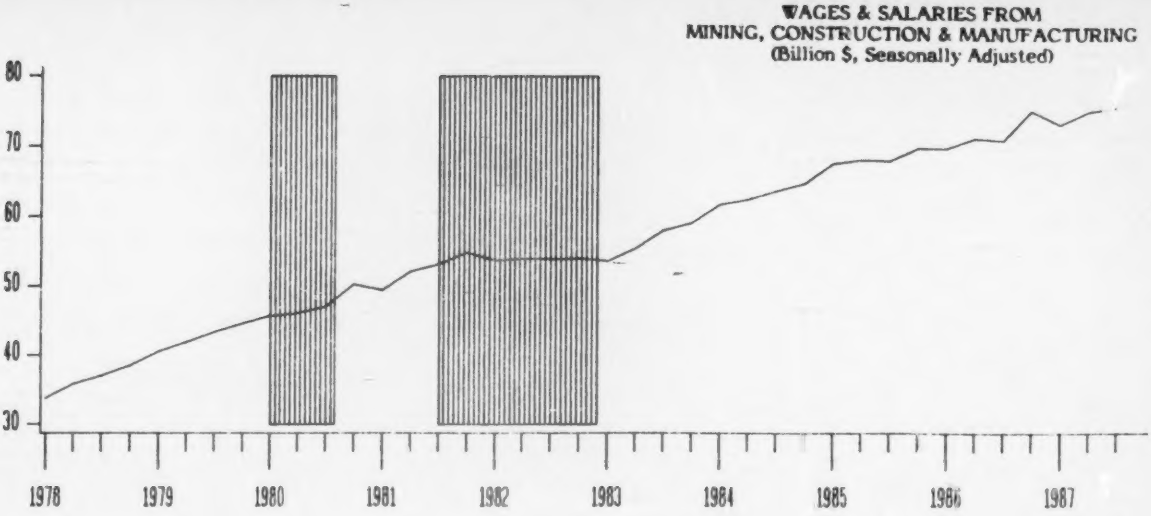
PRIVATE HOUSING UNITS AUTHORIZED
(Seasonally Adjusted Annual Rate, in Thousands)

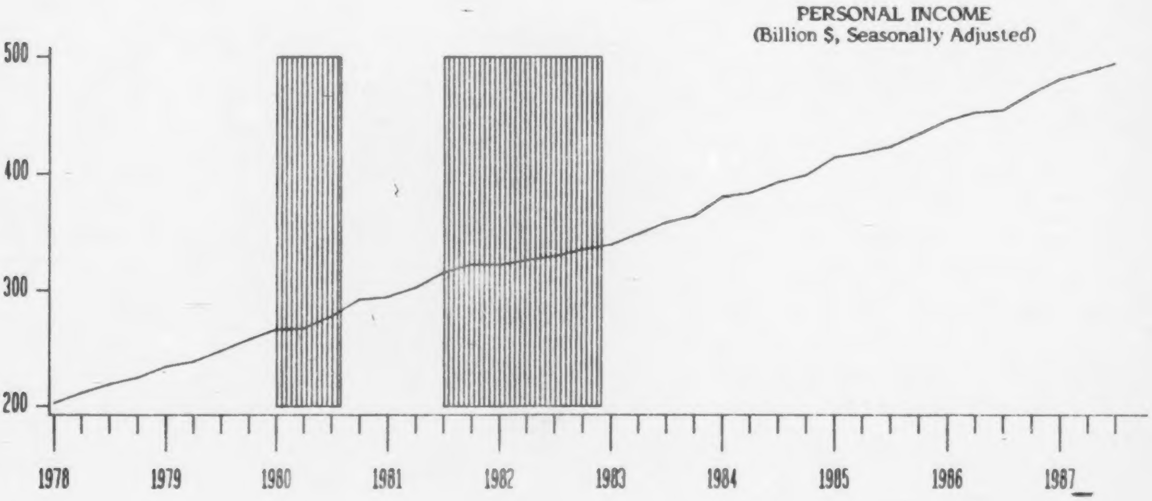


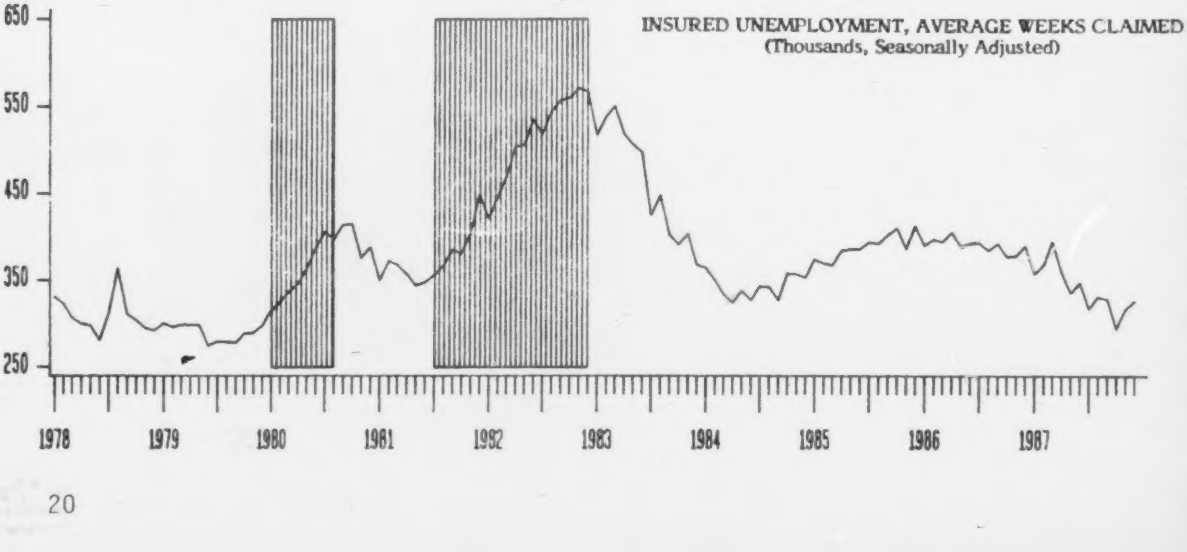
NEW BUSINESS INCORPORATIONS
(Thousands, Seasonally Adjusted)

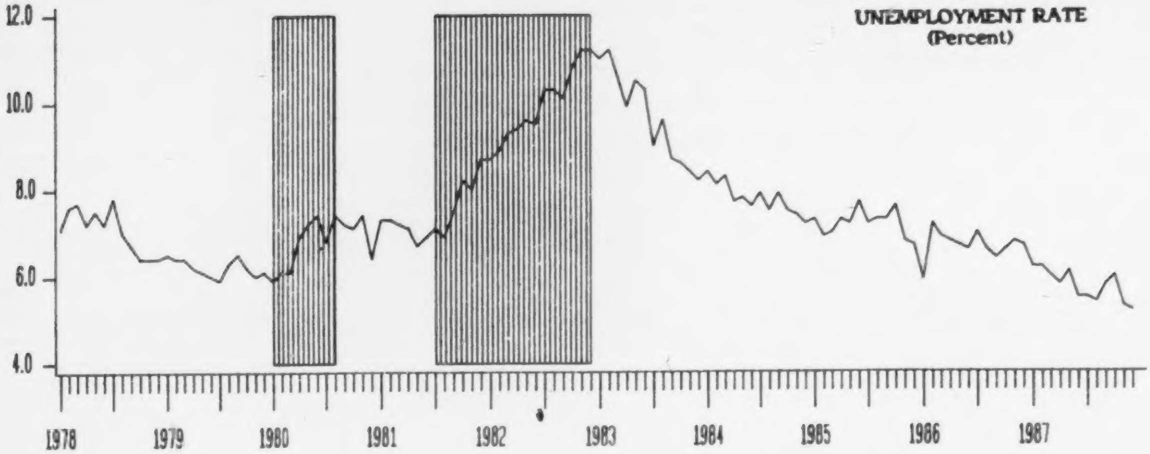


Note: The Los Angeles help wanted ads series is no longer available and it has been omitted from the tables and graphs sections. Similarly, the California index of leading indicators has been dropped from these sections due to the discontinuation of key data series. The construction of the index is being re-examined. Median sales price of existing single-family homes has been added to the tables. Also note, Security Pacific Corporation no longer provides construction valuation data. The Construction Industry Research Board is the current source for this information.

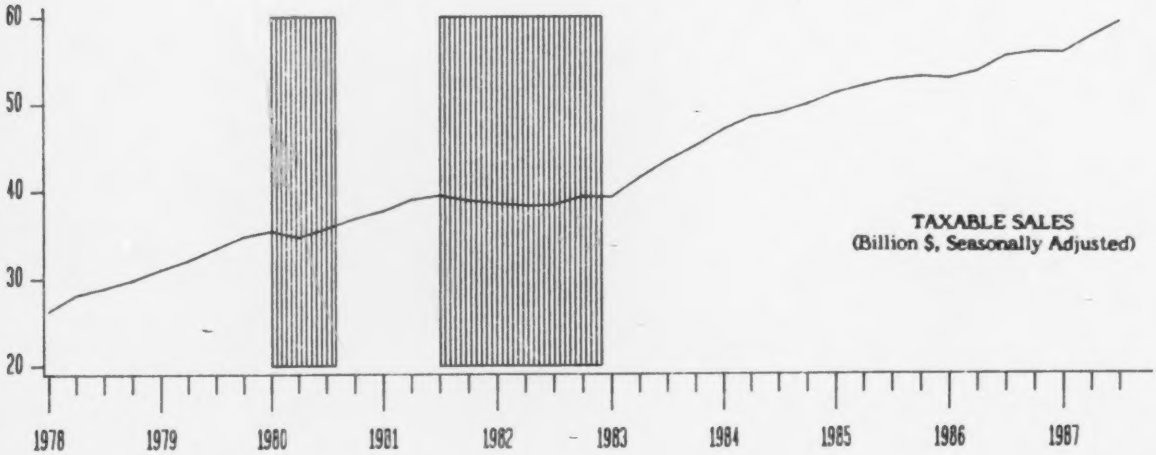

WAGES & SALARIES FROM MINING, CONSTRUCTION & MANUFACTURING
(Billion $, Seasonally Adjusted)


PERSONAL INCOME
(Billion $, Seasonally Adjusted)

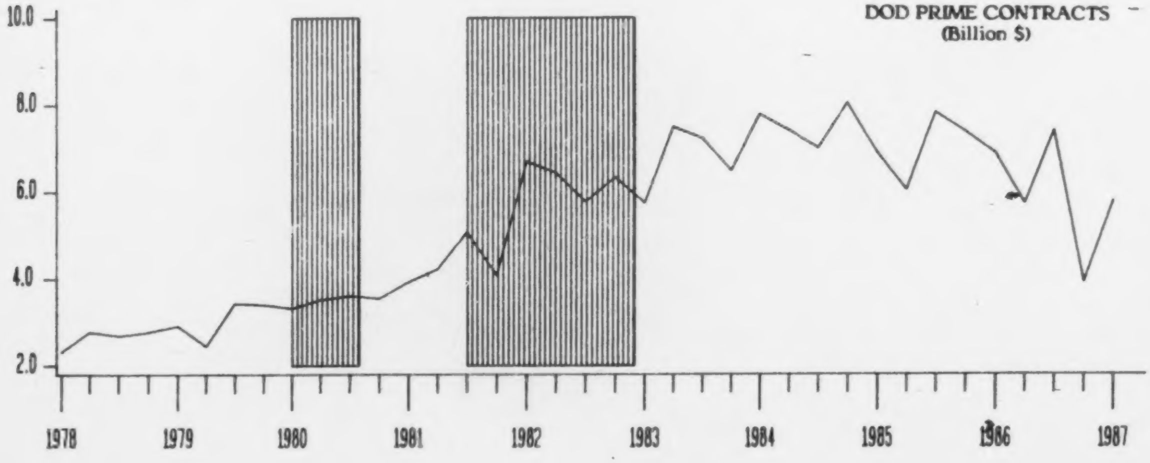

INSURED UNEMPLOYMENT, AVERAGE WEEKS CLAIMED
(Thousands, Seasonally Adjusted)



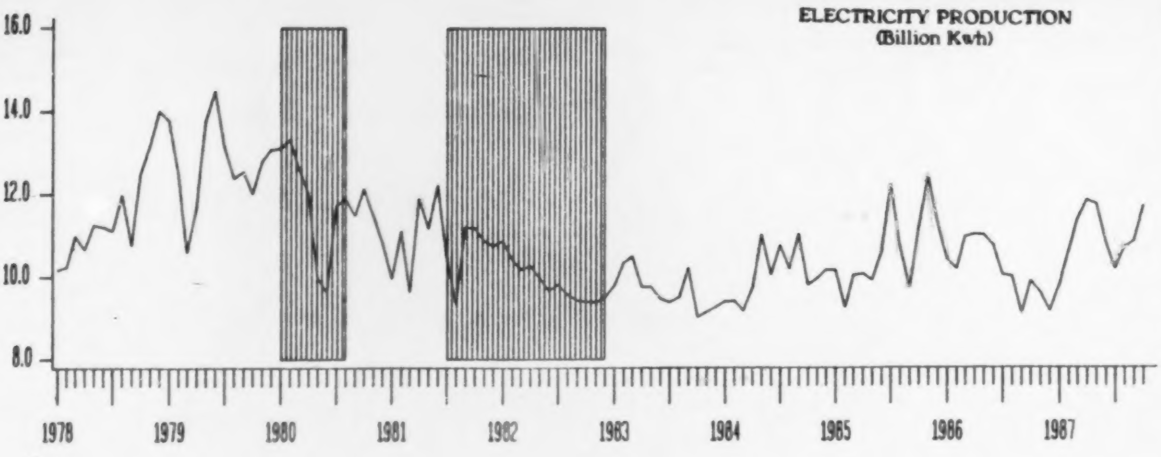
UNEMPLOYMENT RATE
(Percent)

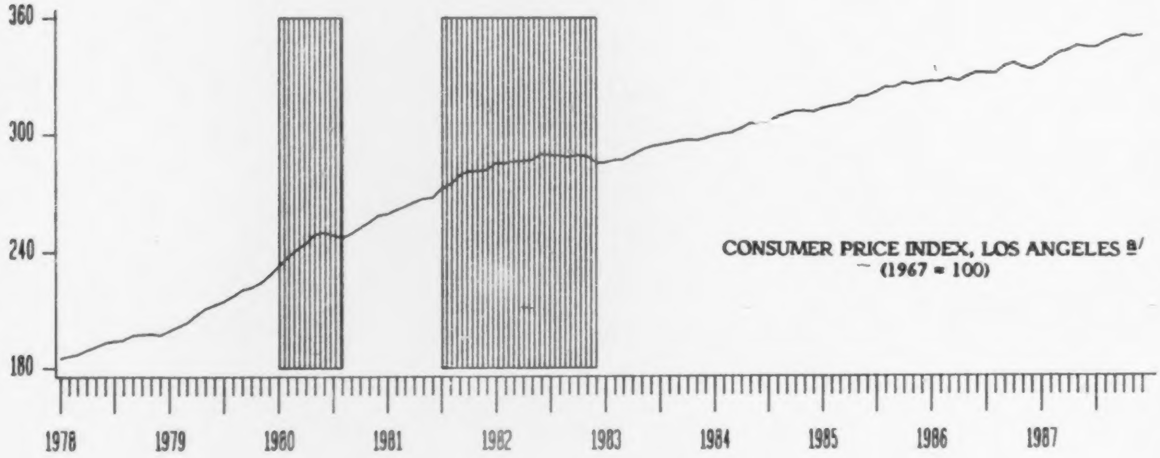


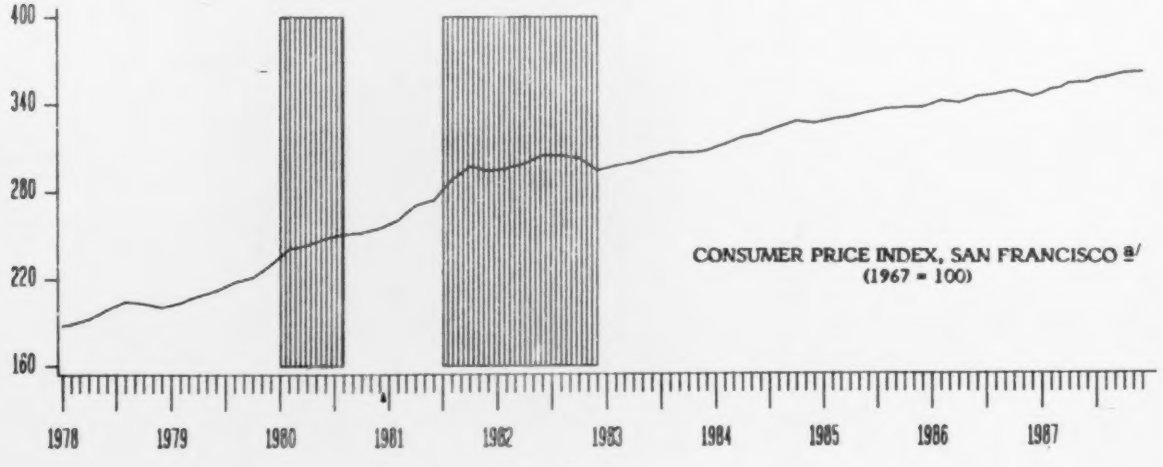
TAXABLE SALES
(Billion $, Seasonally Adjusted)



DOD PRIME CONTRACTS
(Billion $)


ELECTRICITY PRODUCTION
(Billion Kwh)


CONSUMER PRICE INDEX, LOS ANGELES [a]
(1967 = 100)


CONSUMER PRICE INDEX, SAN FRANCISCO [a]
(1967 = 100)

CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national events of general interest have also been included.

	1980
February 25	Prime rate raised to 16-1/2 percent.
February 27	Ceilings on interest rates for government backed mortgages raised to 13 percent.
February 29	Prime rate raised to 16-3/4 percent.
March 4	Prime rate raised to 17-1/4 percent.
March 7	Prime rate raised to 17-3/4 percent.
March 13	Prime rate raised to 18-1/4 percent.
March 14	Announcement of tighter fiscal policies.
March 17	Three percent discount rate surcharge imposed.
March 18	Prime rate raised to 19 percent.
April 2	Prime rate raised to 20 percent.
April 3	FHA mortgages raised to 14 percent.
April 20	Prime rate reduced to 19-1/2 percent.

	1980--Continued
April 28	FHA mortgages reduced to 13 percent.
	Prime rate reduced to 18-1/2 percent.
May 5	Prime rate reduced to 18 percent.
May 7	Prime rate reduced to 17 percent.
May 8	Discount rate surcharge reimposed.
May 12	Prime rate reduced to 16-1/2 percent.
May 19	Prime rate reduced to 16 percent.
May 28	Discount rate lowered to 12 percent. Some conventional mortgage rates fell to 12 percent.
June 25	Carpenters strike in Northern California ended.
July 3	ICC begins trucking industry deregulation.
July 21-October 23	Motion picture and television industry strike.

CHRONOLOGY--Continued

1980--Continued

July 22	Prime rate reduced to 11 percent.
July 25	Prime rate reduced to 10-3/4 percent.
July 28	Discount rate reduced to 10 percent.
August 5	Prime rate raised to 11 percent.
August 27	Prime rate raised to 11-1/2 percent.
September 5	FHA mortgage interest rate raised from 11-1/2 to 12 percent.
September 12	California morgage rate raised from 13-1/2 percent to 13-3/4 percent.
September 25	Pacific Southwest Airlines (PSA) pilots strike begins.
September 26	Discount rate raised from 10 to 11 percent. Prime rate raised from 12-1/2 percent to 12-3/4 percent.
October 2	Prime raised from 13 to 13-1/2 percent.
October 3	Prime raised to 14 percent.
October 15	AFTA workers return to work.
October 30	Prime raised from 14 to 14-1/2 percent.
November 7	Prime raised from 14-1/2 to 15-1/2 percent.
November 14	PSA pilots strike ends.

1980--Continued

November 17	Prime raised to 16 1/4 percent. Discount rate raised from 11 to 12 percent and surcharge imposed.
November 21	Prime raised to 17 percent.
November 28	Prime raised to 17-3/4 percent.
December 3	Prime raised from 17-3/4 to 18-1/2 percent.
December 5	Discount rate raised from 12 to 13 percent. Prime raised to 19 percent.
December 11	Prime raised to 20 percent.
December 17	Prime raised from 20 to 21 percent.
December 23	Prime lowered from 21 to 20-1/2 percent.

1981

January 1	Minimum wage raised from $3.10 to $3.35.
January 6	Prime lowered to 20 percent.
January 20	American hostages released from Iran.
January 20	Ronald Reagan inaugurated as 40th President of the U.S.
January 28	Deregulation of oil and gas industry announced, effective immediately.
January 29	Prime rate lowered to 19-1/2 percent from 20 percent.

	1981--Continued
February 16	General Motors and Ford rebate plans announced.
February 23	Prime rate lowered to 18 percent.
March 2	Prime rate lowered to 18-1/2 percent.
March 10	Prime rate lowered to 18 percent.
March 16	Prime rate lowered to 17-1/2 percent.
March 18	Prime rate lowered to 17 percent.
March 26- June 8	United mine workers strike.
April 13	Prime rate raised to 17-1/2 percent.
April 29	Prime rate raised to 18 percent.
May 4	Prime rate raised to 19 percent.
May 5	Discount rate raised from 13 percent to 14 percent.
May 8	FHA-VA rate up to 15-1/2 percent from 14-1/2 percent.
May 11	Prime rate raised to 19-1/2 percent.
May 22	Prime rate raised to 20 percent.
May 27	OPEC fails to agree on a uniform price schedule. OPEC officials freeze prices at current level.

	1981--Continued
June 5	Dollar reaches highest level in international trading since December 1971.
July 8	Prime rate raised to 20-1/2 percent.
August 3 Jan. 17, 1986	Professional Air Traffic Controller's Organization strike.
August 14	President Reagan signs both the tax- and budget-cut bills into law.
August 18	FHA-VA rate up to 16-1/2 percent from 15-1/2 percent.
September 1	Prime rate lowered to 20 percent.
September 21	Prime rate lowered to 19-1/2 percent.
September 22	Fed surcharge cut to 3 percent from 4 percent.
October	Introduction of All Savers Certificates to stimulate savings.
October 6	Prime rate lowered to 19 percent.
	Egyptian President Sadat assassinated.
October 13	Prime rate lowered to 18 percent.
October 30	OPEC price set at $34.00/barrel--the Saudi benchmark.
November 1	Passbook interest rate raised 1/2 percent to 5-3/4 percent.

CHRONOLOGY--Continued

1981--Continued

November 2	Fed discount rate cut from 14 percent to 13 percent.
	Prime rate lowered to 17-1/2 percent.
November 10	Prime rate lowered to 17 percent.
November 13	Prime rate lowered to 16-1/2 percent.
	FHA mortgage rate lowered to 15-1/2 percent.
November 16	Prime rate lowered to 16 percent.
November 17	Fed eliminates 2 percent surcharge. Discount rate unaffected.
December 1	Prime rate lowered to 15-1/2 percent.
December 4	Fed discount rate lowered from 13 percent to 12 percent.
December 12	Martial law imposed in Poland.

1982

January 22	Federal funds rate raised to 13-1/2 percent.
January 25	FHA mortgage rate increased from 15-1/2 percent to 16-1/2 percent.
January 27	Federal funds rate raised to 13-3/4 percent.

1982--Continued

February 2	Prime rate raised to 16-1/2 percent by Citibank and Crocker.
February 18	Prime rate increased to 17 percent.
February 24	Prime rate cut back to 16-1/2 percent.
March 1	Ford-UAW Pact ratified. Workers give up two weeks of paid time off and annual 3 percent raises.
March 8	Prime rate lowered to 16 percent.
March 16	Prime rate back up to 16-1/2 percent.
April 1	OPEC cuts production to 17.5 million barrels from current 18.2. Saudi bench mark set at $34/barrels.
April 5	Unemployment rate nationally hits 9.0 percent tying the post-WW II high in May 1975.
April 12	General Motor and United Auto Workers labor agreement approved.
April 26	The U.S. consumer price index declined 0.3 percent--the first decline in 17 years and the largest drop in nearly a quarter of a century.
May 7	U.S. unemployment rate reaches 9.4 percent for a post-WW II record.

CHRONOLOGY--Continued

1982--Continued

May 13	Braniff Air Lines ceases operation.
June 25	Secretary of State Alexander Haig resigns.
June 28	U.S. Supreme Court rules that federally chartered savings and loan associations cannot be prohibited from enforcing due-on-sale clauses in their mortgage contracts.
July 20	Discount rate lowered from 12 percent to 11-1/2 percent. Prime rate lowered from 16-1/2 percent to 16 percent.
July 27	Prime rate lowered to 15-1/2 percent.
August 2	Discount rate lowered to 11 percent. Prime rate lowered to 15 percent.
August 9	Unemployment rate reached 9.8 percent in July--the highest level since a 9.9 percent rate in 1941.
August 16	Discount rate cut from 11 percent to 10-1/2 percent. Most major banks lower their prime lending rates to 14-1/2 percent.
August 18	Dow Jones Industrial Average rose 38.81 points--an all-time record.
August 19	The stock market trading soared to a record 132,690,000 shares.
August 27	Discount rate lowered to 10 percent. Prime rate lowered to 13.5 percent.

1982--Continued

November 23	Prime rate lowered from 12 percent to 11-1/2 percent.
December 13	Discount rate cut to 8-1/2 percent.
December 14	Introduction of money market deposit accounts by banks and S&Ls.

1983

January 5	Super NOW accounts introducted.
January 11	Prime rate lowered to 11 percent.
January 31	Independent truckers strike begins.
February 10	Independent truckers strike end.
February 15	Toyota/GM agreement to build a small car in late 1984.
February 25	Prime rate lowered to 10-1/2 percent.
March 14	OPEC sets $29 per barrel benchmark price and production quota of 17.5 million barrels.
May 2	A 6.5 magnitude earthquake strikes the town of Coalinga. An earthquake measuring 6.5 on the Richter scale strikes Coalinga, California.
June 8	The maximum rate on government-backed mortgages was raised from 11-1/2 percent to 12 percent.
June 18	Paul Volcker reappointed as Federal Reserve Board Chairman.

CHRONOLOGY--Continued

1983--Continued

June 24	The Federal Budget deficit totalled a record $29.29 billion in May.
July 7	The maximum rate on government-backed mortgages was raised from 12 percent to 12-1/2 percent.
July 13	Chrysler Corporation announced it will repay the remaining $800 million in federally guaranteed loans by September, seven years before they are due.
July 25	The Washington Public Power Supply System defaulted on $2.25 billion in bonds, creating the largest municipal default in U.S. history.
August 1	California's $1.2 billion offering of revenue-anticipation notes, the State's largest note issue, drew strong investor interest. Notes totalling $700 million, maturing next April and June, were oversubscribed.
August 2	The maximum rate on government backed mortgages rose from 12-1/2 percent to 13-1/2 percent.
August 7-August 28	The Communications Workers of America and two other unions strike AT&T.
August 8	Prime rate raised from 10-1/2 percent to 11 percent by most major banks.

1983--Continued

August 23	The maximum rate on government backed mortgages fell from 13-1/2 percent to 13 percent.
September 1	Soviet Union shoots down Korean Airlines Flight 007, New York to Seoul, near the Soviet Island of Salhalin, just north of Japan.
November 1	Maximum rate on VA & FHA mortgages lowered from 13 percent to 12.5 percent.
November 3-December 21	Strike against Greyhound Lines Inc.
December 1	FHA mortgage interest rates begin to float. VA rates are still pegged.

1984

January 3	Breakup of AT&T becomes effective.
February 2	Contemporaneous reserve accounting is required by Fed for all but the very small deposit-taking institutions.
March 19	Prime rate raised from 11 percent to 11-1/2 percent.
March 20	Maximum rate on VA loans raised from 12-1/2 to 13 percent.
April 4	Prime rate raised from 11-1/2 percent to 12 percent.
April 9	Discount rate raised from 8-1/2 percent to 9 percent; the first change in 3 years.
May 5	Prime rate raised from 12 percent to 12-1/2 percent.

CHRONOLOGY--Continued

1984--Continued

June 26	Prime rate raised from 12-1/2 percent to 13 percent.
September 3 - December 7	Hotel and restaurant strike - San Francisco.
September 15 - October 14	UAW-General Motors strike.
September 28	Prime rate reduced from 13 percent to 12-3/4 percent.
October 16	Prime rate reduced from 12-3/4 percent to 12-1/2 percent.
October 28	Prime rate reduced from 12-1/2 percent to 12 percent.
November 7	Prime rate reduced from 12 percent to 11-3/4 percent.
November 21	Discount rate reduced from 9 percent to 8-1/2 percent.
November 28	Prime rate reduced from 11-3/4 percent to 11-1/4 percent.
December 17	Prime rate reduced from 11-1/4 percent to 10-3/4 percent.
December 24	Discount rate reduced from 8-1/2 percent to 8 percent.

1985

January 1	Federal price controls removed from approximately half of the natural gas produced in the United States.

1985 Continued

January 15	Prime rate reduced from 10-3/4 percent to 10-1/2 percent.
March 9	Home State Savings Bank Cincinnati, Ohio closed.
March 15	Seventy Ohio thrift institutions closed to prevent run on deposits.
March 25	Maximum rate on VA loans raised from 12-1/2 percent to 13 percent.
May 2	Auto manufacturer's initiate low interest loan programs.
May 17-June 14	United Airlines--Air Pilots Association strike.
May 17	Prime rate reduced from 10-1/2 percent to 10 percent.
May 20	Dow Jones Industrials close above 1,300 for the first time.
May 29	Presidents' tax reform plan unveiled.
June 18	Prime rate reduced to 9 1/2 percent from 10 percent.
July 16	Conventional mortgage rates fell to 12.03 percent average--the lowest since October 1979.
July 22-October 16	8,200 steelworkers on strike at Wheeling Pittsburgh--the industry's first major walkout in 26 years.
August 15	GM announces 7.7 percent financing rate program to run through October 2nd.

	1985--Continued
August 20	Ford and Chrysler announce incentive plans including low interest loans and rebates on 1985 autos.
September 4	The Farm Credit System seeks a Federal bailout of its $74 billion loan portfolio.
September 15	A State Department of Housing and Community Development regulation requiring equal access on accessible levels of apartment houses with five or more units, for handicapped persons, went into effect.
September 16	Saudi Arabia announces plans to boost oil production and cut prices.
September 22	G-5 agreement to push the dollar lower.
November 7	Dow Jones Industrials close above 1400 for the first time.
December 10	World oil prices fall by more than a dollar after OPEC decides to abandon price supports.
December 12	President Reagan signs the budget deficit bill into law, raising the debt ceiling to $2 trillion and setting deficit targets for each year through 1991.
December 23	President Reagan signs the farm subsidy bill into law, creating a 5-year plan to bail out the Farm Credit System.

	1986
January 1	Ceiling on Super NOW accounts was removed.
January 17	United Steel workers leaders agreed to allow rank-and-file members to vote on labor contracts for the first time in the union's history.
January 28	Space shuttle Challenger explosion destroys the spacecraft. Seven crew members died.
February 26	Corazon Aquino takes over Phillipines as the new president.
March 3	Dow Jones Industrials close above 1700 for the first time.
March 4	Yields on 10-year Treasury Notes fall below 8 percent for the first time in eight years.
	Oil prices fall to $12 per barrel.
March 7	The discount rate reduced from 7-1/2 percent to 7 percent, following similar cuts by Germany & Japan.
March 10	Prime rate cut to 9 percent from 9-1/2 percent.
March 21	Dow Jones Industrials close above 1800 for the first time.
	Conservative Chirac appointed as Prime Minister of France.
March 25	U.S. warplanes attacked two Libyan ships and a shoreline missile site after Libyan missiles were fired at U.S. planes in the Gulf of Sidra.

CHRONOLOGY--Continued

	1986--Continued
April 1	Interest ceilings on passbook saving accounts ended.
	Oil prices fall to under $11 per barrel.
April 14	U.S. air strike against Libya.
April 21	U.S. Dollar reaches a post-WWII low against the Yen at 168.60.
	Discount rate cut from 7 percent to 6-1/2 percent.
	Prime rate cut to 8-1/2 percent from 9 percent.
April 23	Paul Volcker warns of public and private debt buildup as a threat to the economy.
April 25	Soviet nuclear plant at Chernobyl destroyed by fire.
May 12	U.S. dollar falls to 159.95 Yen.
May 22	U.S. proposes 35 percent tariff on Canadian cedar shakes and shingles for roofing, leading to a trade dispute between the U.S. and Canada.
June 1-June 26	CWA strike at AT&T.
July 7	The U.S. Supreme Court ruled that the Gramm-Rudman-Hollings mechanism for across the-board, automatic spending cuts was unconstitutional.

	1986--Continued
July 7	The Dow Jones Industrial average was down a record 61.87 points.
July 10	The Fed lowered the discount rate from 6-1/2% to 6%.
July 11	Prime rate cut to 8 percent from 8-1/2 percent.
July 20	Prime rate cut to 7-1/2 percent.
August 1	United steelworkers strike for the first time since 1959. 44,000 workers were involved.
August 20	The discount rate was reduced from 6 percent to 5-1/2 percent.
August 27	The prime rate was cut to 7-1/2 percent from 8 percent.
August 28	General Motors Corp. introduces a new incentive program to lure consumers by an unprecedented auto loan rate of 2.9 percent.
September 4	Stock market prices soared as the Dow Jones Industrial average jumped 38.38 points to a closing record of 1919.17.
September 5	California bank and corporation tax law was amended to provide for a "Waters-Edge" election. This is an alternate treatment of taxable income.
September 11	The Dow Jones Industrial average plummeted a record 86.61 points, or 4.61 percent to 1792.89.

CHRONOLOGY--Continued

1986--Continued

October 22	President Reagan signs the tax reform bill into law, the first full scale remodification since 1954.
October 27-December 13	Union employees from Kaiser Foundation Hospital, Kaiser Permanente Medical Group, Inc. & Kaiser Foundation Health Plan strike
November 1	The savings bond rate dropped from 7-1/2 percent to 6 percent, affecting new issues only.

1987

January 1	California Legislature approved a measure, effective Jan. 1, 1987, giving school districts the local option to access $1.50 per square foot on new residental construction and $.25 per square foot on new nonresidential construction.
	Fannie Mae raises mortgage ceiling to $153,100 from $133,250.
	OPEC's 7 percent production cut went into effect. U.S. oil prices hit $18 per barrel.
January 8	The Dow Jones Industrial average topped the 2000 mark.
January 19	The Dow Jones Industrial average topped the 2100 mark.

1987--Continued

January 19	The California Trade Office opened in Tokyo.
	The dollar fell to a record low against the yen--150.49 yen to the dollar.
January 22	The Dow Jones Industrial average posted a record 51.60 percent gain to a new high of 2145.67.
February 5	Brazil suspends interest payments on commercial debt.
	The Dow Jones Industrial average topped the 2200 mark.
March 5	Ecuador is rocked by severe earthquake.
March 16	Fannie Mae announces it will not enter home equity loan market.
March 20	The Dow Jones Industrial average topped the 2300 mark.
March 24	U.S. dollar falls to post WW II low--148.5 yen to the dollar.
April 1	The prime rate increased from 7-1/2 to 7-3/4 percent.
April 6	The Dow Jones Industrial average topped the 2400 mark.
April 13	The California Trade Office opened in London.
May 1	The prime rate was increased from 7-3/4 percent to 8 percent.
May 5	Immigration amnesty program in effect.

CHRONOLOGY--Continued

	1987 (Continued)
May 7	The Farm Credit System formally asked Congress for a $6 billion loan from the Treasury.
May 15	The prime rate was increased to 8-1/4 percent from 8 percent.
May 17	The U.S.S. Stark was struck by an air-launched Iraqi missile in the Persian Gulf.
June 1	Penalties in place for employers of illegal aliens.
July 17	Dow Jones Industrials close over 2,500 for the first time.
July 22	Kuwaiti tankers placed under U.S. flag for transit through Persian Gulf.
August 10	Dow Jones index closes over 2,600 for 1st time.
August 11	Alan Greenspan sworn in as Chairman of the Federal Reserve Board.
August 17	Dow Jones index closes over 2,700 for 1st time.
September 4	Discount rate raised from 5-1/2 percent to 6 percent.
	Prime rate raised from 8-1/4 percent to 8-3/4 percent.
October 1	Severe earthquake hits Southern California. Epicenter near Whittier.

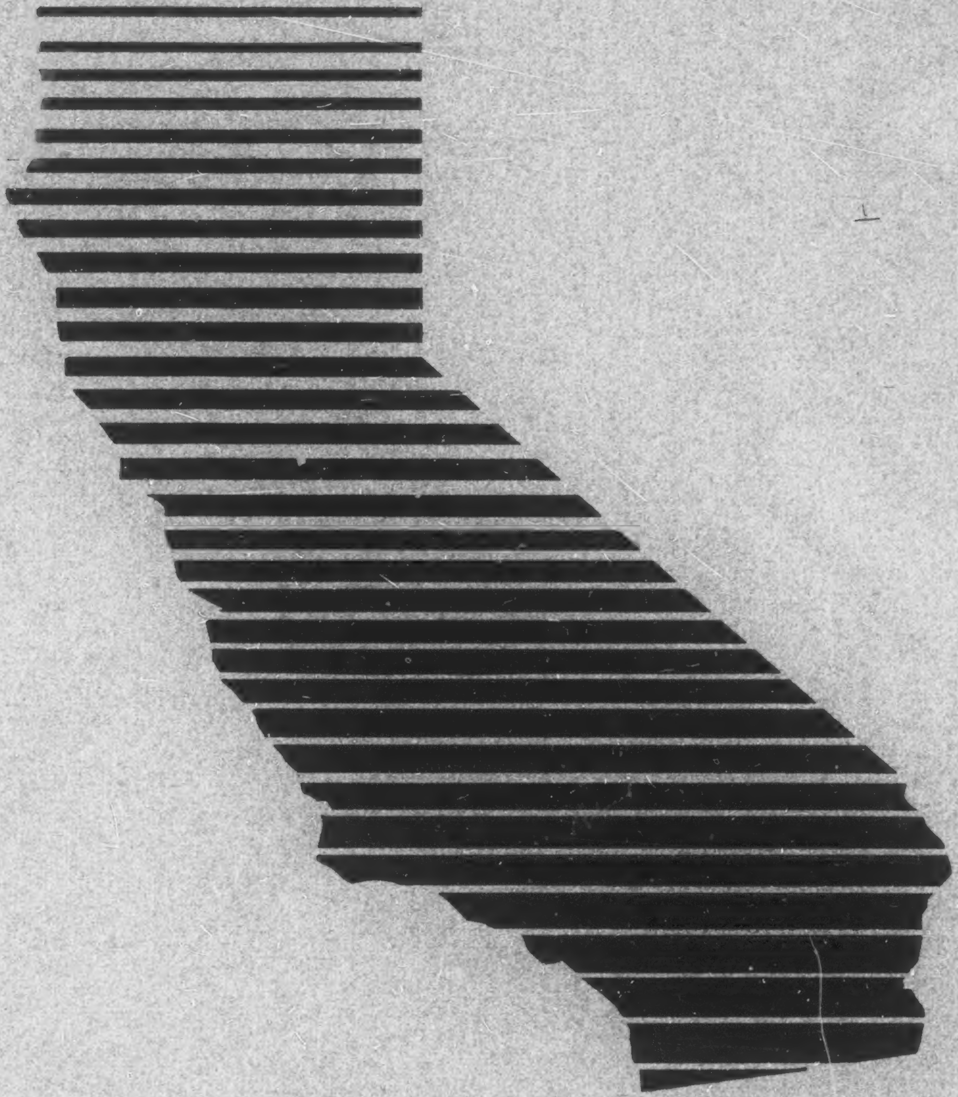
	1987 (Continued)
October 7	Prime rate raised from 8-3/4 percent to 9.25 percent.
October 14	Dow Jones Industrials fall a record 95 points.
October 15	Dow Jones Industrials down 58 points.
October 16	Dow Jones Industrials down a record 108 points.
October 19	Dow Jones Industrial average plunges 508 points, a record 22.6 percent one-day drop. Cumulative four-day decline of 769 points.
October 21	Dow up a record 187 points.
October 22	Prime rate cut to 9 percent from 9.25 percent.
November 2	Dollar falls to 40 year low of 136.95 Yen.
November 5	Prime rate cut to 8/75 percent from 9 percent.
November 23- November 24	Severe earthquakes hit Imperial County.
November 30	Dollar hits postwar lows against Yen and Mark.

REFERENCE DATES OF UNITED STATES BUSINESS CYCLES, 1854-1982

Initial Trough		Peak		Terminal Trough		Expansion (months)	Contraction (months)	Total (months)
Dec.	1854	June	1857	Dec.	1858	30	18	48
Dec.	1858	Oct.	1860	June	1861	22	8	30
June	1861	April	1865	Dec.	1867	46	32	78
Dec.	1867	June	1869	Dec.	1870	18	18	36
Dec.	1870	Oct.	1873	March	1879	34	65	99
March	1879	March	1882	May	1885	36	38	74
May	1885	March	1887	April	1888	22	13	35
April	1888	July	1890	May	1891	27	10	37
May	1891	Jan.	1893	June	1894	20	17	37
June	1894	Dec.	1895	June	1897	18	18	36
June	1897	June	1899	Dec.	1900	24	18	42
Dec.	1900	Sept.	1902	Aug.	1904	21	23	44
Aug.	1904	May	1907	June	1908	33	13	46
June	1908	Jan.	1910	Jan.	1912	19	24	43
Jan.	1912	Jan.	1913	Dec.	1914	12	23	35
Dec	1914	Aug.	1918	March	1919	44	7	51
March	1919	Jan.	1920	July	1921	10	18	28
July	1921	May	1923	July	1924	22	14	36
July	1924	Oct.	1926	Nov.	1927	27	13	40
Nov.	1927	Aug.	1929	March	1933	21	43	64
March	1933	May	1937	June	1938	50	13	63
June	1938	Feb.	1945	Oct.	1945	80	8	88
Oct.	1945	Nov.	1948	Oct.	1949	37	11	48
Oct.	1949	July	1953	May	1954	45	10	55
May	1954	Aug.	1957	April	1958	39	8	47
April	1958	April	1960	Feb.	1961	24	10	34
Feb.	1961	Dec.	1969	Nov.	1970	106	11	117
Nov.	1970	Nov.	1973	March	1975	36	16	52
March	1975	Jan.	1980	July	1980	58	6	64
July	1980	July	1981	Nov.	1982	12	16	28

CALIFORNIA ECONOMIC INDICATORS

March 1988



DEPARTMENT OF FINANCE

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INTRODUCTION

California Economic Indicators is a bimonthly summary of economic trends and data relating to the State of California. Generally patterned after the U.S. Bureau of Economic Analysis publication ***Business Conditions Digest***, the report contains regular features in each issue.

Developments in California over the most recent months are reviewed in a brief text, and then summarized in current data tables which show changes over the previous year. Charts containing monthly and quarterly series from 1979 are included to facilitate the review of current developments, and to appraise the significance of the developments on the State's economy. Much of the data in the report has been seasonally adjusted by the source agency or by the Department of Finance.

Reference dates for U.S business cycles, as determined by the National Bureau of Economic Research, are also shown. Finally, sources are cited on the inside back cover to assist readers in obtaining any additional information on the statistical series published.

The Department of Finance welcomes suggestions on additions or changes which would make the *Indicators* a more useful publication. Correspondence should be addressed to the State of California, Department of Finance, Financial Research Unit, 1025 P Street, Sacramento, CA 95814.

Subscriptions are $8.00 per year, and begin with the January issue. The subscription price will be prorated throughout the year based upon the beginning subscription date, as shown below:

Beginning Subscription Date	Prorated Amount Due
January	$8.00
March	6.75
May	5.40
July	4.05
September	2.70
November	1.35

Mail subscription requests and prepayment (no billing available) to:

California Department of Finance
P.O. Box 151
Sacramento, CA 95801

Please make checks payable to the California Department of Finance.

REVIEW OF ECONOMIC DEVELOPMENTS

California's economy continued to expand in the opening months of the new year. Nonagricultural wage and salary employment in February was up 4.4 percent over the year, with nearly half a million new jobs added during that period. Moreover, there is little evidence in the employment figures of any slackening of growth. Seasonally adjusted data indicate employment gains at a 4.6 percent annual rate during the first two months of 1988.

The jobless rate, meanwhile, remains near an 18-year low. February's rate of 5.4 percent was up slightly from the extremely low January reading of 5.1 percent, but was well below the nation's 5.7 percent rate and the State's year-earlier figure of 6.2 percent.

The employment data, which reflect recent benchmark revisions, continue to show a fairly broad-based expansion, with gains in virtually every major category of employment. Of the 90,000 jobs added during the first two months of the year, 15,000 were in construction, 7,000 in manufacturing, 35,000 in wholesale and retail trade, and 24,000 in services. Small gains of about 3,000 each have been posted in finance, utilities and government, while mining has shown a decline of 400 workers.

Other data, however, do show scattered signs of a slowdown. In retail sales, automobiles remain surprisingly strong, with December new car registrations actually posting a small gain over the tax induced boom of late 1986. Overall, however, preliminary sales tax data showed a year-over-year gain of under 6 percent in the fourth quarter, only slightly above the rate of consumer price inflation.

Holiday season sales at general merchandise, apparel and furniture and appliance stores showed little change from 1986 levels, and scattered reports from the early months of 1988 suggest at best a continuation of this flat trend in discretionary buying.

The picture in construction is also becoming somewhat mixed. Nonresidential valuation in January was down about 1 percent from the year earlier level, implying a drop in real volume of 5 to 6 percent.

The pace of single family homebuilding remains quite vigorous, aided again this year by California's unusually dry winter weather. January's single family permit volume, at an annual rate of almost 140,000 units, was in line with the November and December experience, and not far off the 152,000 unit pace of a year ago.

Multi-family activity, on the other hand, at a 64,000 unit pace in January, was well below the 100,000 unit volume of late 1987 and the year ago performance of 120,000 units at an annual rate. Overall, January's homebuilding remained just above a 200,000 unit pace, still quite respectable but off considerably from the boom-like conditions of the last three years.

The single and multi-family sectors of the homebuilding industry are reacting to widely different forces. High vacancy rates, demographic forces and less favorable tax treatment have all served to reduce the volume of apartment building. At the same time, the demand for single family housing remains strong, reflecting the movement of the baby boom generation into the prime homebuying age group (with older boomers now beginning to move up into more expensive houses). The recent easing of interest rates, and changes in the tax laws which make homeownership among the few remaining tax shelters, have also helped keep demand for single family houses quite strong.

The California Association of Realtors reports a slight fall off in existing home sales in January as compared to December, but January's annual rate of 483,000 units was still quite robust. Many of the same forces buoying single family homebuilding are also at work in the resale market.

A growing concern in the market for existing homes is the short supply of houses on the market. January's inventory was a 7.2 month supply, well below the 8.6 month supply of early 1987. More telling, the average time on the market was 63 days, well over half of which is accounted for by the normal escrow process. As the weather improved in February and March, reports suggest the pace of activity has quickened, with buyers often bidding up prices in many areas. Indeed, January's year-over-year increase in existing home prices of 18 percent is reminiscent of the late 1970's market although in part the price jump reflects the mix of homes sold this year as compared to last.

Apart from house prices, the overall inflation rate remains quite well contained. The California Consumer Price Index rose 0.3 percent in February and was up 4.2 percent over the year. The California index continues to show slightly higher inflation than the national figure, which was up 3.9 percent over February 1986. The Consumer Price Index has been revised to a new base of 1982-84 = 100. As discussed in the following article, (The "New Look" CPI) the rebasing does not alter historic price readings or patterns, nor has there been any revision in the content of the index.

The Department of Finance has prepared preliminary estimates of California personal income for the fourth quarter and full year 1987. Income for the year is estimated at $494.7 billion, an increase of 8.5 percent over the 1986 figure. The pattern within the year was somewhat uneven, with strong growth in the first, second and fourth quarters, and a flat performance in the summer period.

In part, the third quarter weakness reflects a drop in wages for securities and commodities brokers in the finance sector, probably related to the pattern of bonuses which as yet has not been fully captured in the seasonal adjustment process. However, wage data for several other categories, including construction, manufacturing, trade and services, appear somewhat weaker in the third quarter than would be expected given the employment data.

At the same time, second quarter wages appear somewhat stronger than employment data would suggest in several categories. On balance, while the annual figures appear reasonable, the quarterly pattern may be revised following a further review of the payroll wage data.

A review of the annual figures indicates wages and salaries were up slightly more than 9% in 1987, and continued to account for about 80 percent of total personal income. Other labor income--mainly employer paid health and pension benefits--increased 8 percent. Until recently, other labor income had been growing faster than wages. The slowdown suggests that employers are having some success in controlling health insurance and other "fringe" benefit costs.

Proprietors' income was the fastest growing category of income, increasing more than 14 percent. Reflecting relatively stable interest rates, property income (interest, dividends and rent) increased less than 6 percent. Lower unemployment helped hold the rise in transfer payments to just under 6 percent last year.

CALIFORNIA PERSONAL INCOME 1987
(Billons of Dollars)

	I	II	III	IV	Year	% Change 1987/86
Wages and Salaries	286.8	295.5	292.4	302.9	294.4	9.1
Other Labor Income	27.5	28.4	28.0	29.0	29.2	11.9
Proprietors' Income	46.1	47.5	48.5	49.7	48.0	14.0
Farm	5.2	5.1	5.2	5.2	5.2	15.6
Nonfarm	40.8	42.5	43.3	44.5	42.8	13.8
Property Income	78.7	79.6	81.4	84.7	81.1	5.6
Dividends	10.3	10.6	10.8	11.1	10.7	8.1
Interest	63.4	64.3	66.2	68.6	65.6	5.0
Rent	5.0	4.7	4.3	5.0	4.8	9.1
Transfer Payments	63.9	64.7	65.2	65.9	64.9	5.9
Less: Contributions for Social Ins.	21.6	22.2	22.0	22.7	22.1	10.0
Plus: Residence Adjustment	0.2	0.3	0.3	0.3	0.3	2.4
TOTAL	481.5	493.7	493.8	509.7	494.7	8.5

Note: Components may not add to totals due to rounding.

Personal Income data in greater detail are available from:

Economic Research Unit
California Department of Finance
Room 325
1025 P Street
Sacramento, CA 95814

ANNUAL AVERAGE CONSUMER PRICE INDEX, 1970-87
(Urban Consumers, 1982-84 = 100)

YEAR	LOS ANGELES	SAN FRANCISCO	SAN DIEGO	UNITED STATES
1970	38.7	37.7	34.2	38.8
1971	40.1	39.1	35.7	40.5
1972	41.4	40.4	37.5	41.8
1973	43.7	42.8	40.4	44.4
1974	48.2	47.0	45.4	49.3
1975	53.3	51.8	48.8	53.8
1976	56.9	54.6	51.4	56.9
1977	60.8	58.3	55.2	60.6
1978	65.3	64.3	62.0	65.2
1979	72.3	69.8	73.3	72.6
1980	83.7	80.4	82.5	82.4
1981	91.9	90.8	95.0	90.9
1982	97.3	97.6	95.1	96.5
1983	99.1	98.4	101.2	99.6
1984	103.6	104.0	107.6	103.9
1985	108.4	108.4	112.1	107.6
1986	111.9	111.6	114.6	109.6
1987	116.9	115.4	117.5	113.6

Percent Changes from Previous Year

1971	3.6	3.7	4.4	4.4
1972	3.2	3.3	5.0	3.2
1973	5.6	5.9	7.6	6.2
1974	10.3	9.8	12.5	11.0
1975	10.6	10.2	7.4	9.1
1976	6.8	5.4	5.5	5.8
1977	6.9	7.7	7.3	6.5
1978	7.4	9.4	12.4	7.6
1979	10.7	8.6	18.1	11.3
1980	15.8	15.2	12.6	13.5
1981	9.8	12.9	15.1	10.3
1982	5.9	7.5	0.1	6.2
1983	1.8	0.8	6.4	3.2
1984	4.5	5.7	6.3	4.3
1985	4.6	4.2	4.2	3.6
1986	3.2	3.0	2.2	1.9
1987	4.3	3.4	3.5	3.6

Source: U.S. Department of Labor, Bureau of Labor Statistics

S0840-1

ERRATA

In the table on page 6 (ANNUAL AVERAGE CONSUMER PRICE INDEX), the following changes should be made:

1977 San Francisco 58.8 (rather than 58.3)

1987 Los Angeles 116.7 (rather than 116.9)

Percentage changes in the lower portion of the table are not affected.

FR:10351

THE "NEW LOOK" CPI

With the January 1988 release, the Consumer Price Index took on a new look. Suddenly, the index readings, which for the nation had been around 345 for all items (closer to 360 in California), were in the 115 range. It was as if the statisticians in the U.S. Bureau of Labor Statistics (BLS) had wiped away 20 years of inflation.

In fact, very little has changed except the numbers themselves. The CPI has undergone a periodic "rebasing" for the first time in 15 years. Until the January release, the CPI was based on the prices of goods and services in 1967. The index average for 1967 was 100. An index of 350 meant that it cost $3.50 to purchase what $1 would have bought in 1967.

The new base is an average of prices paid during the three years 1982 to 1984. Thus, the nation's February reading of 116.0 means that it cost $1.16 in February 1988 to purchase the goods and services available for an average of $1 during the period 1982-84.

As always, the BLS continues to make the normal weighting changes (to reflect the different rates of change in the prices of various goods and services), and from time to time makes minor changes in the list of items priced to reflect changing consumption patterns. These changes are not noticeable, but are important in keeping the index up-to-date in reflecting price changes in the marketplace.

Rebasing, on the other hand, is more cosmetic, undertaken mainly in order that the reference base will have more meaning to the average user. Apart from the fact that it is a bit depressing to be reminded that a dollar today buys little more than what a quarter did in 1967, few people can really remember what most goods and services cost 21 years ago. A majority of today's adults were living with parents, not even managing household finances in the late 1960s.

It is also very difficult to compare household income and consumer prices over a period as long as 20 years. Tax laws and rates have changed dramatically in that time span, as have consumption patterns. It is not easy to say whether a household which had income of $10,000 in 1967 is better or worse off than a family with income of $35,000 today. Yet, the old CPI would suggest the household had kept pace with inflation.

In contrast, a household which had $30,000 income in 1983 could be fairly certain that they had kept pace if income in early 1988 was running about $35,000.

Thus, the new base makes the CPI more useful and relevant for most users. There are, however, one or two cautionary notes about the new base. Some CPI users are accustomed to measuring price change by index points rather than percent change. Often, cost-of-living clauses in collective bargaining agreements will trigger a pay increase when the CPI rises a specified number of index points.

Using the new base, each index point measures a much larger change in prices. A one point movement in the February U.S. all items index, from 116.0 to 117.0, would mark a price increase of 0.86 percent. Using the old base, February's reading was 347.4, and a one point movement to 348.4 would be an increase of only 0.29 percent.

On a considerably smaller scale, percent changes can also differ between the new and old base, even though theoretically historical index comparisons should be the same using either the 1967 or 1982-84 base. The problem is that rounding can make a bigger difference in smaller numbers than in larger ones.

The BLS calculates the indexes to several decimal places, but publishes only in tenths of an index point. In calculating percent changes, rounding differences should occur in no more than one calculation out of ten, should amount to no more than a tenth of a percent, and should be random, meaning that as many would round up a tenth as would round down a tenth, compared to 1967 base calculations.

Most users can comfortably ignore this rounding effect. However, when large amounts are being indexed (millions or billions of dollars) a tenth of a percent can be a sizeable sum. To sidestep both the rounding and contractual index point problem, the BLS will continue to publish All Items indexes for both All Urban Consumers and Urban Wage Earners, on the old 1967 as well as the new 1982-84 base.

Because index detail will not be available on the old base, most users will want to convert to the new index as quickly as possible. The accompanying tables show the All Items indexes, Urban Consumers, for the U.S., Los Angeles, San Diego and San Francisco areas, on the new base. Annual averages on both the old and new base for 1987 are shown for comparison.

The difference that a more recent base or reference period can make is illustrated in the San Francisco CPI table. On the old base, the Fuel and Utility Costs index, at 410.0 for 1987, is well above the All Items value of 354.7. This indicates that over the past 20 years, utility prices rose more rapidly than all consumer prices in the Bay Area.

On the new base, however, Fuel and Utility prices, with an index of 109.4, are actually less than the All Items value of 115.4. This means that in the period since 1982-84, utility prices have risen less rapidly than the average of all consumer prices in the Bay Area.

CPI-U and CPI-W The Bureau of Labor Statistics publishes two consumer price index series. The most commonly used index, the CPI-U (All Urban Consumers), reflects spending patterns of a broad range of consumers in urban areas. The CPI-W (Urban Wage Earners and Clerical Workers), is, as the name suggests more narrowly focused, but is more consistent with older CPI data going back to 1914. (Prior to 1978, only the CPI-W was calculated.)

The difference between the two series is in the weighting of various consumption items. Home ownership costs, for example, receive a heavier weight in the CPI-U than in the CPI-W. The rate of price increase has generally been slightly higher for the CPI-U than for the CPI-W.

California CPI The California CPI is a special purpose index calculated by the California Department of Industrial Relations, Division of Labor Statistics and Research, using the Los Angeles and San Francisco CPIs from the Bureau of Labor Statistics. The two CPIs are weighted according to population, but the base period also includes San Diego. It was necessary to drop San Diego from the index in 1987 when that area was shifted to semi-annual publication. Only All Items (All Urban and Wage Earners) are calculated; no component parts are available.

Following receipt of historical data from the US Bureau of Labor Statistics, the California CPI is now being rebased to the 1982-84 reference period. The historical indexes on the new base will be published in the May issue of *Indicators*.

CONSUMER PRICE INDEX, ANNUAL AVERAGES FOR 1987
1967 and 1982-84 = 100 Bases

	LOS ANGELES			SAN FRANCISCO		
	1967 = 100	1982-84 = 100	% Chg 1987/86	1967 = 100	1982-84 = 100	% Chg 1987/86
All Items, CPI-U	344.7	116.7	4.3	354.7	115.4	3.4
Food	328.6	112.9	4.1	336.6	114.0	4.1
Food Away From Home	338.8	113.2	1.7	355.4	117.7	3.9
Residential Rent	359.9	130.5	5.4	377.6	133.1	4.6
Homeowners' Costs*	133.6	133.6	6.4	140.4	140.4	4.2
Fuel & Other Utilities	357.8	112.6	-1.2	410.0	109.4	-0.9
Apparel and Upkeep	193.7	112.5	5.2	215.8	104.6	2.9
Transportation	337.0	108.9	3.5	311.6	102.4	1.2
Medical Care	491.0	129.5	7.1	444.9	128.7	7.5
All Items, CPI-W	336.7	114.0	4.1	348.2	114.3	3.3

	SAN DIEGO			UNITED STATES		
	1967 = 100	1982-84 = 100	% Chg 1987/86	1967 = 100	1982-84 = 100	% Chg 1987/86
All Items, CPI-U	397.2	117.5	3.5	340.4	113.6	3.6
Food	356.1	115.8	4.2	333.0	113.5	4.1
Food Away From Home	447.8	117.7	3.7	374.4	117.0	4.0
Residential Rent	388.3	134.9	3.8	291.5	123.1	4.1
Homeowners' Costs*	130.1	130.1	8.4	124.8	124.8	4.5
Fuel & Other Utilities	341.8	102.5	1.2	380.7	107.8	4.0
Apparel and Upkeep	222.8	110.2	2.7	216.9	110.6	4.4
Transportation	322.7	107.6	1.9	316.8	105.4	3.0
Medical Care	431.2	129.4	9.5	462.2	130.1	6.6
All Items, CPI-W	355.5	111.1	3.6	335.0	111.1	3.6

* Both old and new index on a base of December 1982 = 100

Source: U.S. Department of Labor, Bureau of Labor Statistics

EMPLOYMENT
(Seasonally Adjusted)

	1988		1987		1987	Percent Change
	Feb	Jan	Dec	Nov	Feb	Feb 1987-Feb 1988
Civilian Employment (000)	13,279	13,267	13,221	13,172	12,745	4.2
Unemployment (000)	753	714	729	740	848	-11.2
Unemployment rate	5.4	5.1	5.2	5.3	6.2	--
Nonagricultural wage and salary employment [a] (000)	12,011.2	11,978.9	11,921.1	11,876.0	11,509.3	4.4
Mining	40.1	40.5	40.5	40.9	39.5	1.5
Construction	614.9	610.8	599.0	592.9	568.2	8.2
Manufacturing	2,134.8	2,134.6	2,127.4	2,121.2	2,093.3	2.0
Aerospace [b]	n.a.	765.0	762.7	760.5	749.3	--
Transportation and Public utilities	581.1	581.2	578.8	577.6	583.5	-0.4
Trade	2,854.3	2,838.8	2,819.3	2,807.7	2,713.4	5.2
Finance, insurance and real estate	820.6	818.0	817.0	814.5	792.3	3.6
Services	3,042.2	3,033.1	3,018.8	3,005.8	2,853.5	6.6
Government	1,923.2	1,921.9	1,920.3	1,915.4	1,865.5	3.1
Federal	351.7	351.8	351.3	350.7	345.5	1.8
State & local	1,571.5	1,570.1	1,569.0	1,564.7	1,520.0	3.4

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[a] Interim series of wage and salary workers. This unofficial series is adjusted for the latest tabulations of unemployment insurance coverage and approximates what the official data will be when estimates are updated at year end.

[b] The Interim Series does not give a breakdown for aerospace employment. These values are from the EDD official employment series, and are not seasonally adjusted.

n.a. Not available

HOURS AND EARNINGS IN MANUFACTURING

	1988	1987			1987	Percent Change
	Jan	Dec	Nov	Oct	Jan	Jan 1987-Jan 1988
Average weekly hours [c]	40.5	41.1	41.0	40.6	40.0	1.3
Average weekly earnings	$439.83	$450.46	$446.08	$437.26	$421.21	4.4
Average hourly earnings	$10.86	$10.96	$10.88	$10.77	$10.53	3.1

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[c] Not seasonally adjusted.

TRADE
(Seasonally Adjusted)

	1988	1987			1987	Percent Change Jan 1987- Jan 1988
	Jan	Dec	Nov	Oct	Jan	
Retail sales (millions)	n.a.	15,307	15,054	15,356	14,567	--
New auto registrations (number)	106,572	122,472	114,946	114,638	125,844	-15.3

CONSUMER PRICE INDEX
(1967 = 100)

	1988		1987		1987	Percent Change Feb 1987- Feb 1988
	Feb	Jan	Dec	Nov	Feb	
All Urban Series						
California Average	361.6	360.3	358.7	357.9	346.9	4.2
San Francisco	362.3	363.9	360.9	360.5	348.8	3.9
Los Angeles	353.7	351.2	350.2	349.3	338.8	4.4
Wage Earner and Clerical Worker Series						
California Average	349.5	348.5	347.1	346.3	335.8	4.1
San Francisco	356.2	357.7	354.4	353.9	342.2	4.1
Los Angeles	344.7	342.7	342.0	341.1	331.2	4.1

PRODUCTION

	1988	1987			Percent Change Jan 1987- Jan 1988
	Jan	Dec	Nov	Oct	
Petroleum (000 barrels daily)	n.a.	1,084	1,108	1,109	--
Portland cement (000 short tons)	697.7	674.3	785.7	899.1	0.0
Selected redwood and whitewood mill production (mil. board feet)	n.a.	60.8	60.3	90.6	--

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n.a. Not available

CONSTRUCTION

	1988	1987			1987	Percent Change
	Jan	Dec	Nov	Oct	Jan	Jan 1987-Jan 1988
Private Residential Housing Units Authorized (000) [a]	203.7	231.9	222.3	207.5	275.5	-26.1
Single Units	139.8	130.0	120.6	113.8	152.4	-8.3
Multiple Units	63.9	101.9	101.7	93.7	123.1	-48.1
Residential Building Authorized Valuation (millions) [b]	$1,564	$1,561	$1,477	$1,463	$2,091	-25.2
Nonresidential Building Authorized Valuation (millions) [b]	$1,055	$1,050	$1,106	$967	$1,069	-1.3
Nonresidential Building Authorized Valuation (millions) [c]	$843	$934	$980	$1,089	$854	-1.3
Commercial	$387	$419	$458	$518	$363	6.6
Industrial	$137	$132	$169	$139	$128	6.7
Other	$82	$90	$115	$147	$111	-26.2
Alterations & Additions	$238	$293	$238	$285	$252	-5.6

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[a] Seasonally adjusted annual rate.
[b] Seasonally adjusted.
[c] Not adjusted for seasonal variation.
n.a. Not available

VACANCY RATES FOR DECEMBER 1987
(Percent)

	Office			
	Total	Downtown	Suburban	Industrial
Northern & Central California				7.9
Oakland - East Bay	25.0	16.6	27.6	
Sacramento	19.6	12.6	22.0	
San Francisco	16.3	13.8	19.7	
San Jose	24.9	26.1	24.6	
Southern California				6.3
Los Angeles	16.8	13.2	17.7	
Orange County	21.3	n.a.	n.a.	
San Diego	23.0	12.8	27.7	
National Average	20.7	16.3	22.8	5.5

MEDIAN PRICE OF EXISTING SINGLE-FAMILY HOMES

1987	Jan	$126,532	Jul	$141,599	1988	Jan	$147,281
	Feb	$128,372	Aug	$143,876		Feb	$147,665
	Mar	$135,278	Sep	$143,882			
	Apr	$137,853	Oct	$144,786			
	May	$140,853	Nov	$143,043			
	Jun	$141,541	Dec	$144,392			

LEADING INDICATORS

		Manufacturing		New Business Incorporations
		Overtime Hours	Average Weekly Hours	
1987	Apr	3.3	39.8	4,022
	May	3.6	40.6	4,864
	Jun	3.7	40.4	5,179
	Jul	3.7	40.4	5,240
	Aug	3.6	40.5	4,932
	Sep	3.5	39.8	5,209
	Oct	3.8	40.5	4,634
	Nov	3.8	40.7	4,469
	Dec	3.6	40.3	4,481
1988	Jan	3.8	40.8	4,905
	Feb	n.a.	n.a.	5,652

		Unemployment Insurance Initial Claims	Housing Unit Authorizations (Thousands)
1987	Apr	53,534	283.9
	May	50,017	203.2
	Jun	53,033	261.3
	Jul	52,058	249.0
	Aug	50,721	227.8
	Sep	49,791	216.4
	Oct	48,948	207.5
	Nov	52,096	222.3
	Dec	51,106	231.9
1988	Jan	51,351	203.7
	Feb	51,401	n.a.

Note: All data seasonally adjusted.

n.a. Not Available

COINCIDENT INDICATORS

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Thousands)	Insured Unemployment Average Weeks Claimed (Thousands)
1987	Apr	11,678	2,100	5.9	356
	May	11,691	2,105	6.1	339
	Jun	11,712	2,110	5.6	345
	Jul	11,734	2,107	5.5	320
	Aug	11,762	2,105	5.4	331
	Sep	11,815	2,104	5.7	325
	Oct	11,835	2,110	5.8	293
	Nov	11,876	2,121	5.3	318
	Dec	11,921	2,127	5.2	318
1988	Jan	11,979	2,135	5.1	321
	Feb	12,011	2,135	5.4	310

		Personal Income (Millions)	Wages & Salaries from Mining, Construction & Manufacturing (Millions)	Taxable Sales (Millions)
1987	Qtr I	$481,546	$73,256	$55,831
	Qtr II	$493,726	$76,149	$57,668
	Qtr III	$493,839	$75,982	$58,820
	Qtr IV	$509,715	$79,315	n.a.

OTHER INDICATORS

		DOD Prime Contracts (Millions)
1985	Qtr III	7,790
	Qtr IV	7,346
1986	Qtr I	6,849
	Qtr II	5,697
	Qtr III	7,361
	Qtr IV	3,901
1987	Qtr I	5,767

		Electricity Production (Million Kwh)
1987	Jan	9,989
	Feb	10,905
	Mar	11,074
	Apr	11,477
	May	10,651
	Jun	10,643
	Jul	10,325
	Aug	10,739
	Sep	10,863
	Oct	11,486
	Nov	10,963
	Dec	10,940

Note: All data seasonally adjusted.

ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are production worker man-hours, insured unemployment, manufacturing employment, and taxable sales. These series are discussed in the technical note below.

TECHNICAL NOTE

Whenever appropriate, data used in the charts have been seasonally adjusted. The series on average weekly hours of production workers in manufacturing and production worker man-hours are adjusted by the Bureau of Labor Statistics method. Other series have been adjusted by the Bureau of the Census (Shiskin) method. Persons interested in a detailed description of these methods are referred to the U.S. Department of Labor, Bureau of Labor Statistics, the BLS Seasonal Factor Method (1964); and the U.S. Department of Commerce, Bureau of the Census. Technical Paper No. 15, The X-11 Variant of the Census Method II. Seasonal Adjustment Program (November 1965).

Under the Census Bureau seasonal method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

Production Worker Man-Hours

This series is a substitute for the man-hours in nonagricultural establishments series used in the Census Bureau's publication, Business Cycle Developments. It is the cross product of average weekly hours of production workers in manufacturing and manufacturing employment. Workweek data are a leading indicator. Manufacturing employment appears to be a coincident indicator, although at times it seems to lead economic downturns. Because of this, the man-hours series has been classified in the present publication as a leading indicator.

Insured Unemployment

The series on total insured unemployment is being used rather than the insured unemployment rate included in the Census Bureau's indicator list. The insured rate is available only with a lag of nine months, which precludes its usefulness as a current indicator.

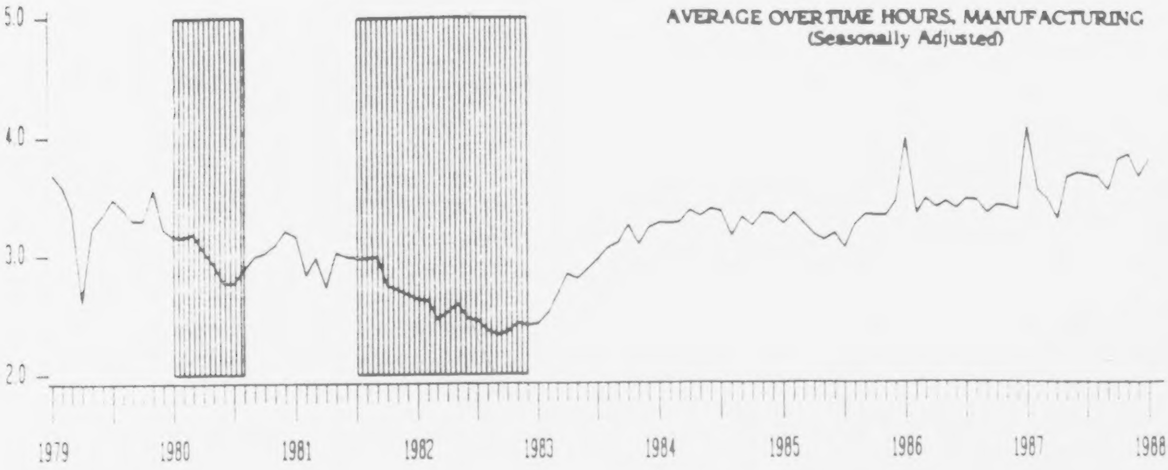
Manufacturing Employment

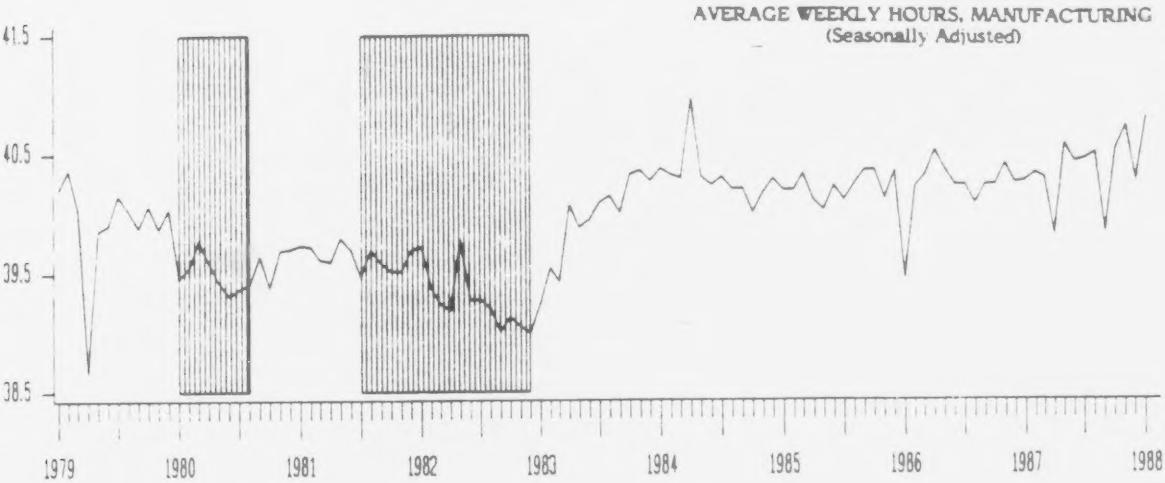
This series is also an addition to the Census Bureau indicator list. It was used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

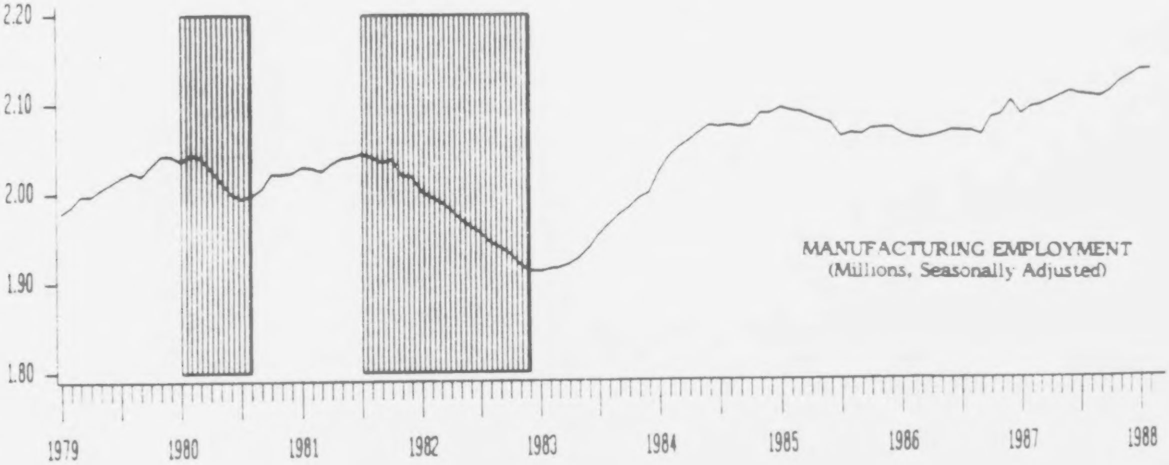
Taxable Sales

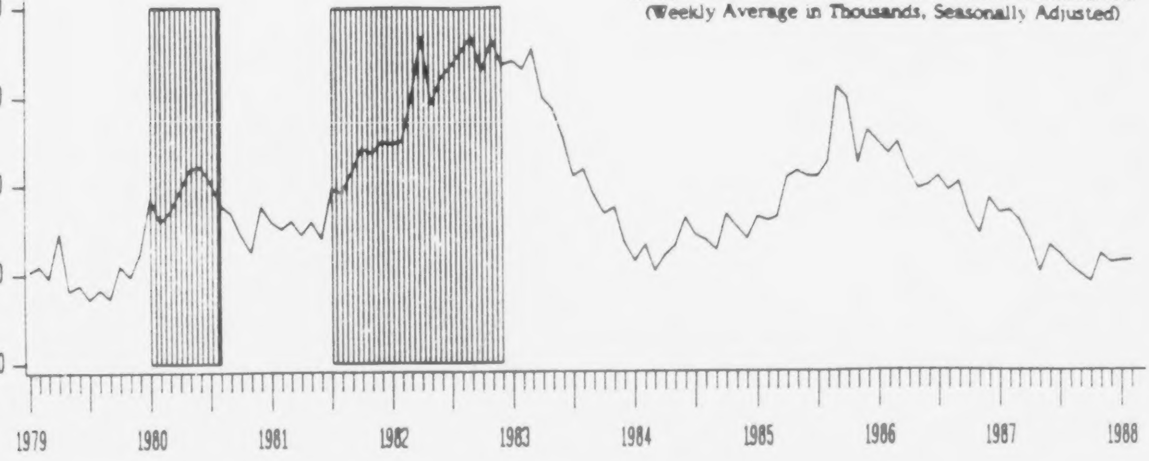
Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is therefore a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950.

The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

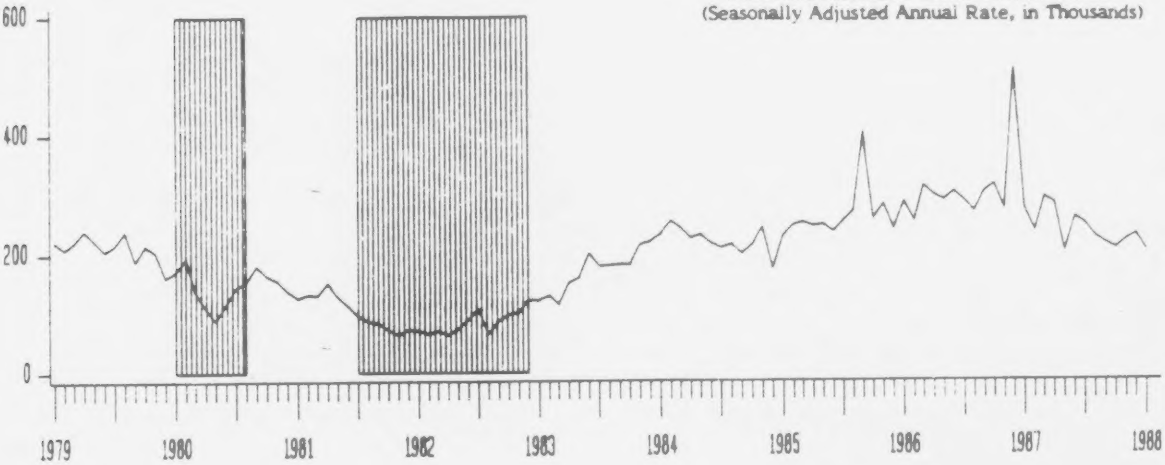

AVERAGE OVERTIME HOURS, MANUFACTURING
(Seasonally Adjusted)
5.0
4.0
3.0
2.0
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988


AVERAGE WEEKLY HOURS, MANUFACTURING
(Seasonally Adjusted)
41.5
40.5
39.5
38.5
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988

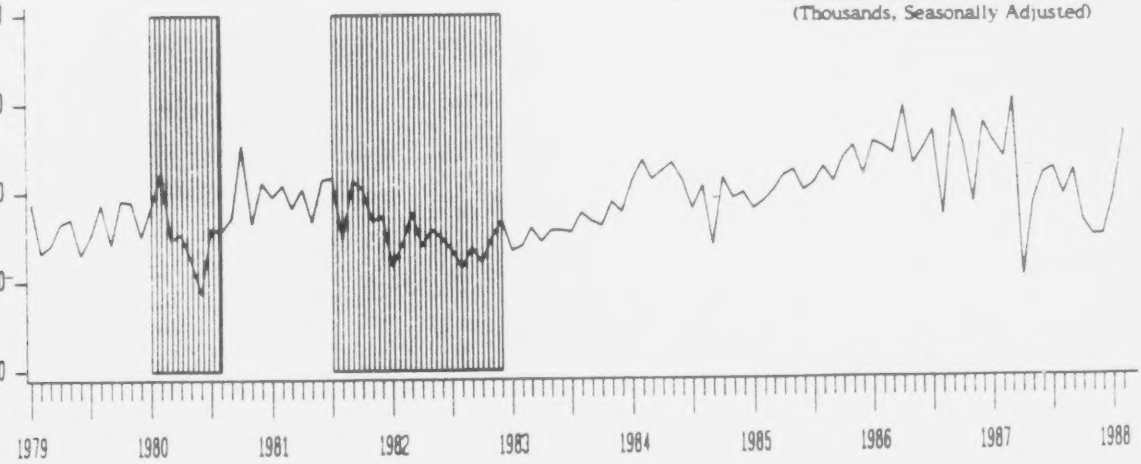

2.20
2.10
2.00
1.90
1.80
MANUFACTURING EMPLOYMENT
(Millions, Seasonally Adjusted)
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988



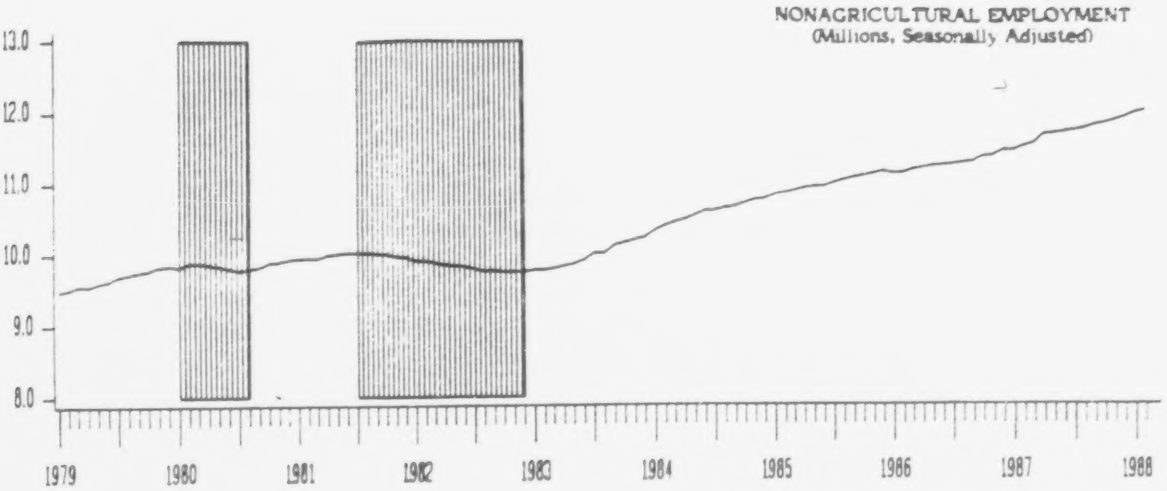
INITIAL CLAIMS FOR UNEMPLOYMENT INSURANCE
(Weekly Average in Thousands, Seasonally Adjusted)



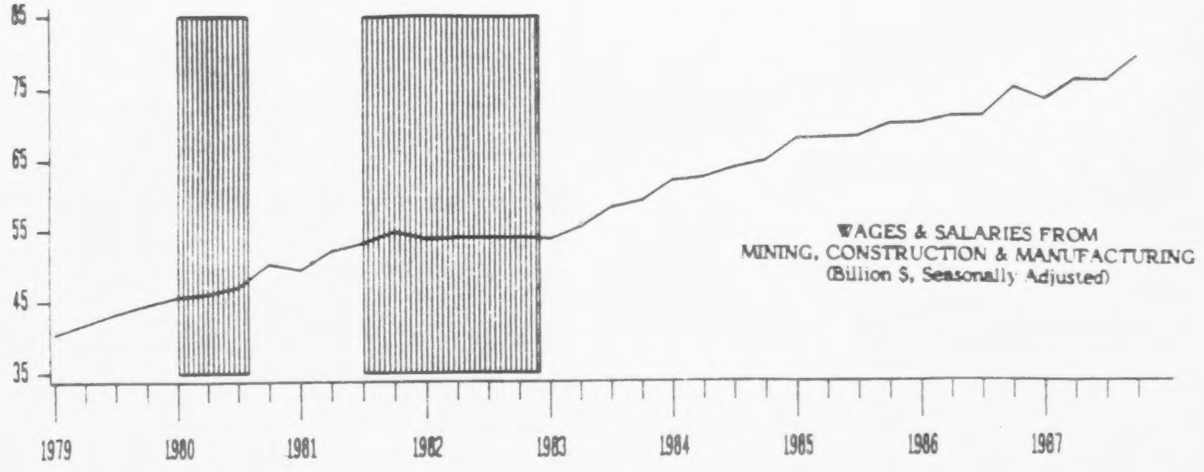
PRIVATE HOUSING UNITS AUTHORIZED
(Seasonally Adjusted Annual Rate, in Thousands)



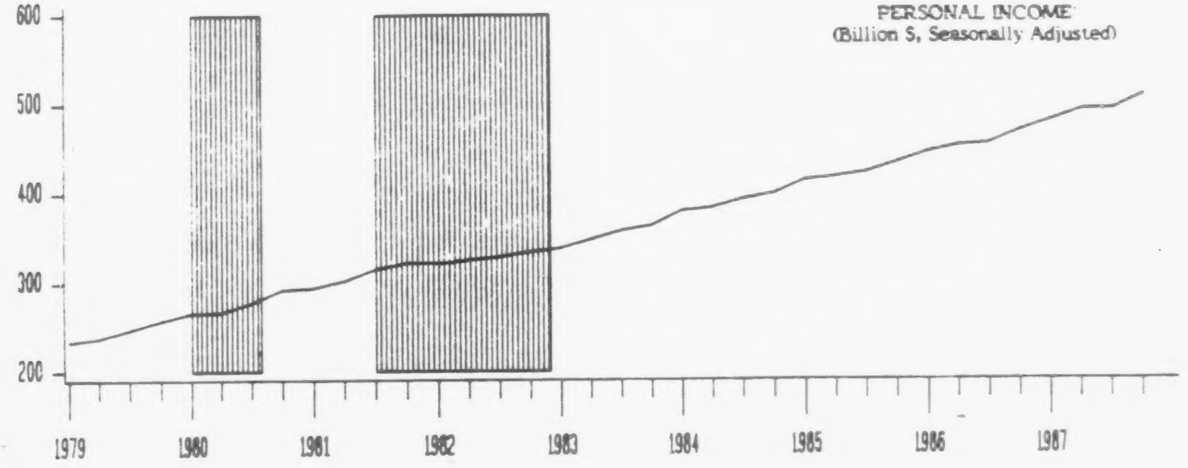
NEW BUSINESS INCORPORATIONS
(Thousands, Seasonally Adjusted)



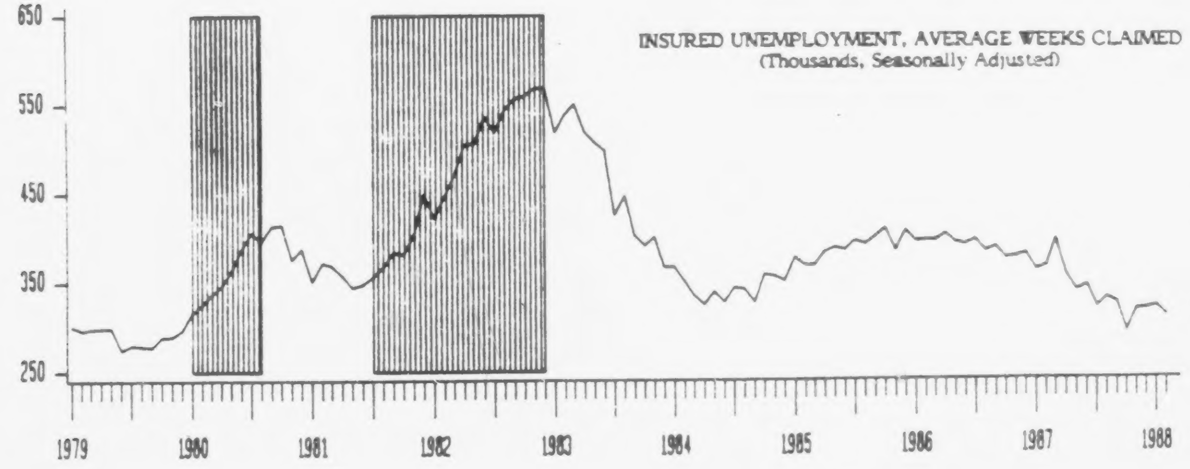
Note: The Los Angeles help wanted ads series is no longer available and it has been omitted from the tables and graphs sections. Similarly, the California index of leading indicators has been dropped from these sections due to the discontinuation of key data series. The construction of the index is being re-examined. Median sales price of existing single-family homes has been added to the tables. Also note, Security Pacific Corporation no longer provides construction valuation data. The Construction Industry Research Board is the current source for this information.



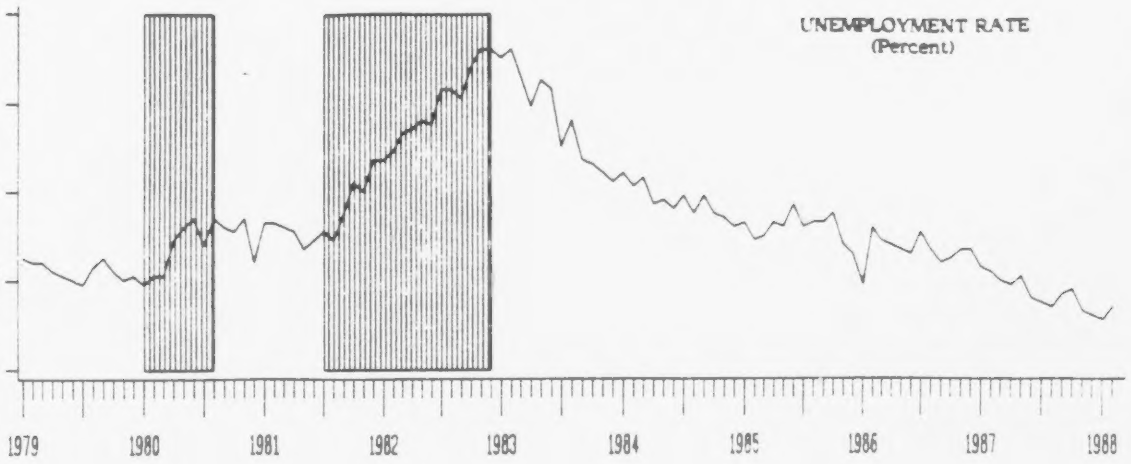
WAGES & SALARIES FROM MINING, CONSTRUCTION & MANUFACTURING (Billion $, Seasonally Adjusted)

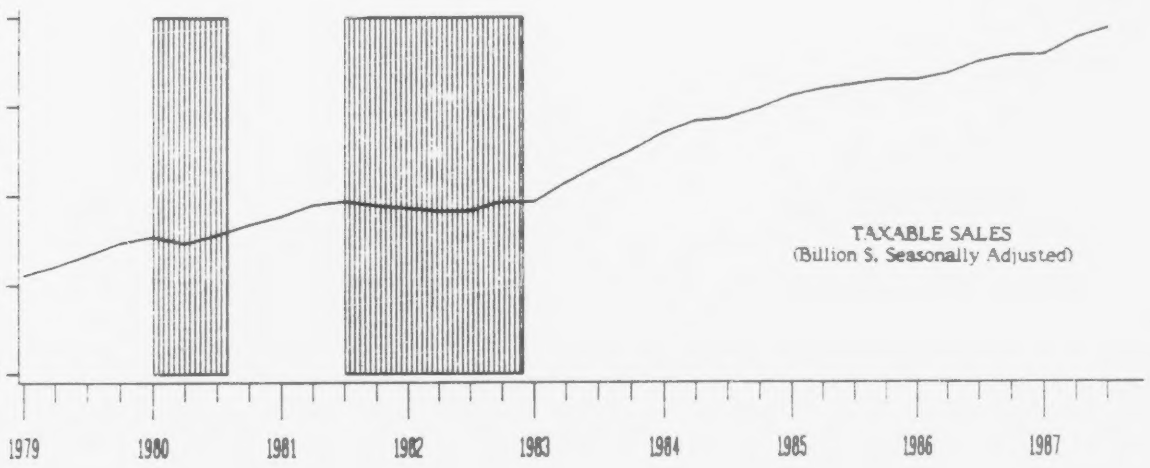


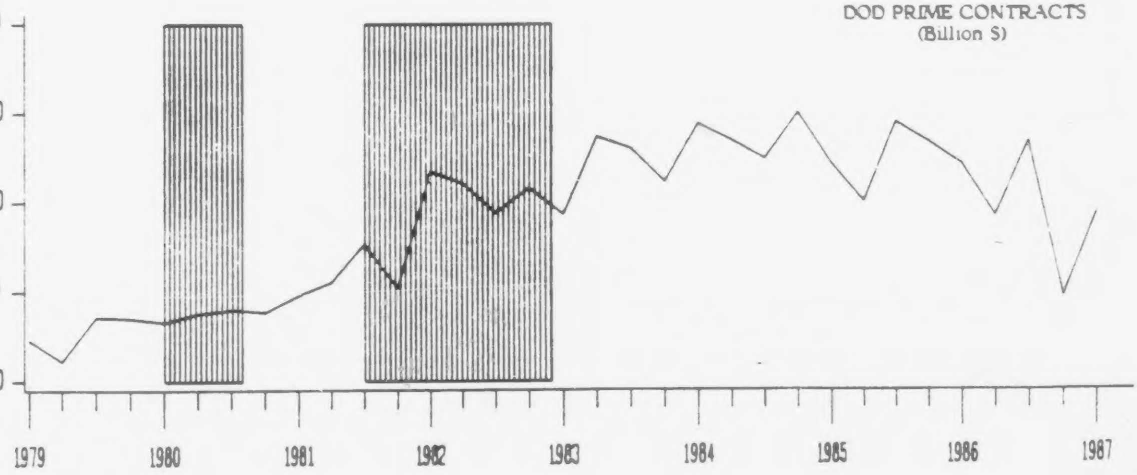
PERSONAL INCOME (Billion $, Seasonally Adjusted)

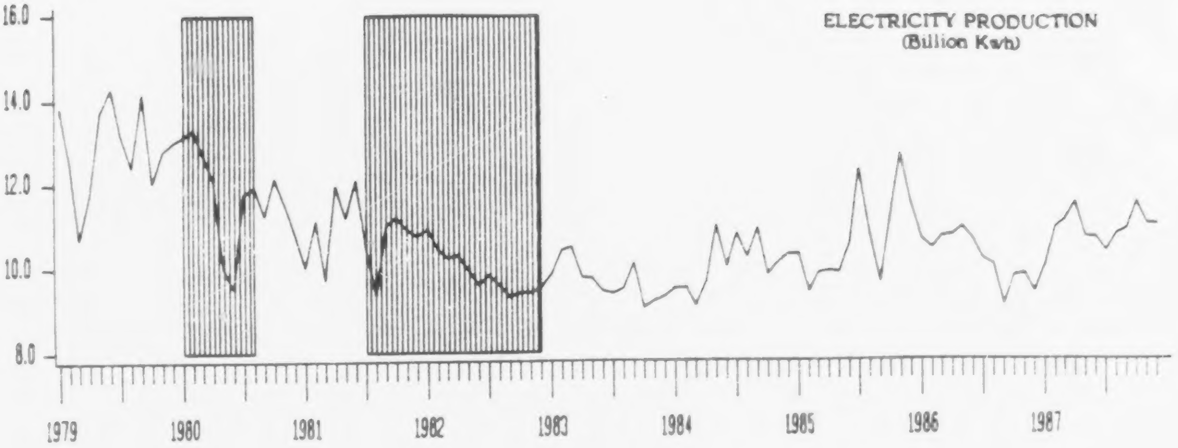


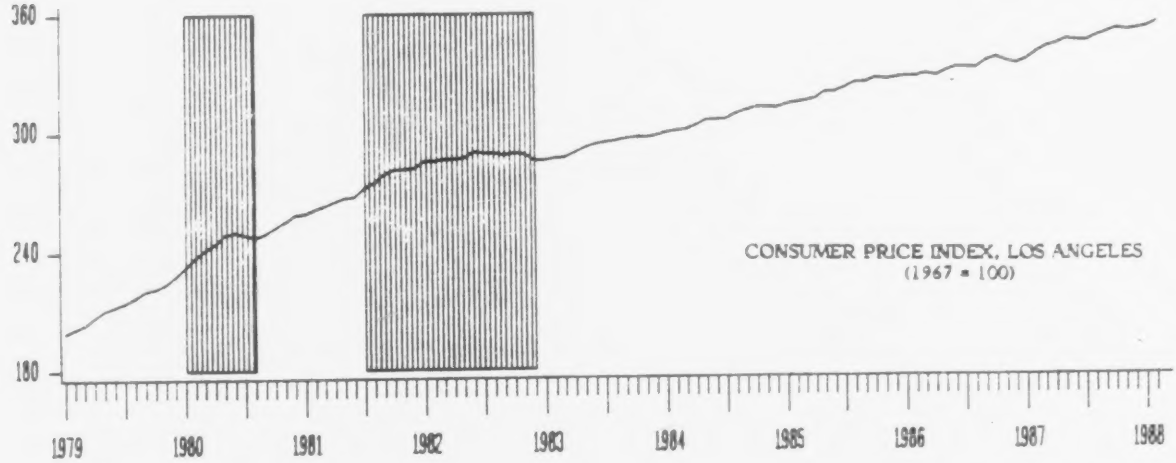
INSURED UNEMPLOYMENT, AVERAGE WEEKS CLAIMED (Thousands, Seasonally Adjusted)

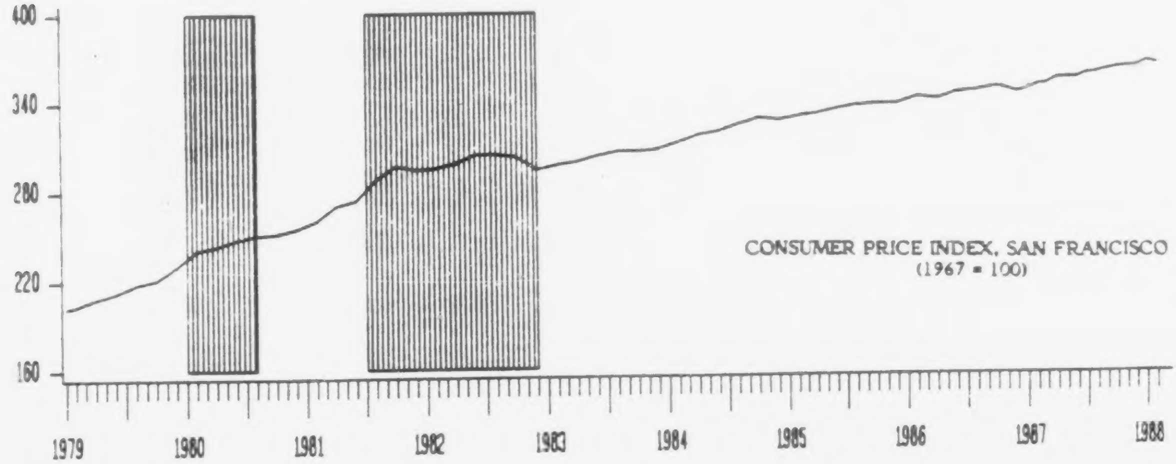

UNEMPLOYMENT RATE
(Percent)
12.0
10.0
8.0
6.0
4.0
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988


TAXABLE SALES
(Billion $, Seasonally Adjusted)
60
50
40
30
20
1979
1980
1981
1982
1983
1984
1985
1986
1987


DOD PRIME CONTRACTS
(Billion $)
10.0
8.0
6.0
4.0
2.0
1979
1980
1981
1982
1983
1984
1985
1986
1987


ELECTRICITY PRODUCTION
(Billion Kwh)


CONSUMER PRICE INDEX, LOS ANGELES
(1967 = 100)


CONSUMER PRICE INDEX, SAN FRANCISCO
(1967 = 100)

CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national events of general interest have also been included.

1980

February 25	Prime rate raised to 16-1/2 percent.
February 27	Ceilings on interest rates for government backed mortgages raised to 13 percent.
February 29	Prime rate raised to 16-3/4 percent.
March 4	Prime rate raised to 17-1/4 percent.
March 7	Prime rate raised to 17-3/4 percent.
March 13	Prime rate raised to 18-1/4 percent.
March 14	Announcement of tighter fiscal policies.
March 17	Three percent discount rate surcharge imposed.
March 18	Prime rate raised to 19 percent.
April 2	Prime rate raised to 20 percent.
April 3	FHA mortgages raised to 14 percent.
April 20	Prime rate reduced to 19-1/2 percent.

1980--Continued

April 28	FHA mortgages reduced to 13 percent.
	Prime rate reduced to 18-1/2 percent.
May 5	Prime rate reduced to 18 percent.
May 7	Prime rate reduced to 17 percent.
May 8	Discount rate surcharge reimposed.
May 12	Prime rate reduced to 16-1/2 percent.
May 19	Prime rate reduced to 16 percent.
May 28	Discount rate lowered to 12 percent. Some conventional mortgage rates fell to 12 percent.
June 25	Carpenters strike in Northern California ended.
July 3	ICC begins trucking industry deregulation.
July 21-October 23	Motion picture and television industry strike.

CHRONOLOGY--Continued

1980--Continued

July 22	Prime rate reduced to 11 percent.
July 25	Prime rate reduced to 10-3/4 percent.
July 28	Discount rate reduced to 10 percent.
August 5	Prime rate raised to 11 percent.
August 27	Prime rate raised to 11-1/2 percent.
September 5	FHA mortgage interest rate raised from 11-1/2 to 12 percent.
September 12	California morgage rate raised from 13-1/2 percent to 13-3/4 percent.
September 25	Pacific Southwest Airlines (PSA) pilots strike begins.
September 26	Discount rate raised from 10 to 11 percent. Prime rate raised from 12-1/2 percent to 12-3/4 percent.
October 2	Prime raised from 13 to 13-1/2 percent.
October 3	Prime raised to 14 percent.
October 15	AFTA workers return to work.
October 30	Prime raised from 14 to 14-1/2 percent.
November 7	Prime raised from 14-1/2 to 15-1/2 percent.
November 14	PSA pilots strike ends.

1980--Continued

November 17	Prime raised to 16 1/4 percent. Discount rate raised from 11 to 12 percent and surcharge imposed.
November 21	Prime raised to 17 percent.
November 28	Prime raised to 17-3/4 percent.
December 3	Prime raised from 17-3/4 to 18-1/2 percent.
December 5	Discount rate raised from 12 to 13 percent. Prime raised to 19 percent.
December 11	Prime raised to 20 percent.
December 17	Prime raised from 20 to 21 percent.
December 23	Prime lowered from 21 to 20-1/2 percent.

1981

January 1	Minimum wage raised from $3.10 to $3.35.
January 6	Prime lowered to 20 percent.
January 20	American hostages released from Iran.
January 20	Ronald Reagan inaugurated as 40th President of the U.S.
January 28	Deregulation of oil and gas industry announced, effective immediately.
January 29	Prime rate lowered to 19-1/2 percent from 20 percent.

	1981--Continued
February 16	General Motors and Ford rebate plans announced.
February 23	Prime rate lowered to 18 percent.
March 2	Prime rate lowered to 18-1/2 percent.
March 10	Prime rate lowered to 18 percent.
March 16	Prime rate lowered to 17-1/2 percent.
March 18	Prime rate lowered to 17 percent.
March 26- June 8	United mine workers strike.
April 13	Prime rate raised to 17-1/2 percent.
April 29	Prime rate raised to 18 percent.
May 4	Prime rate raised to 19 percent.
May 5	Discount rate raised from 13 percent to 14 percent.
May 8	FHA-VA rate up to 15-1/2 percent from 14-1/2 percent.
May 11	Prime rate raised to 19-1/2 percent.
May 22	Prime rate raised to 20 percent.
May 27	OPEC fails to agree on a uniform price schedule. OPEC officials freeze prices at current level.

	1981--Continued
June 5	Dollar reaches highest level in international trading since December 1971.
July 8	Prime rate raised to 20-1/2 percent.
August 3 Jan. 17, 1986	Professional Air Traffic Controller's Organization strike.
August 14	President Reagan signs both the tax- and budget-cut bills into law.
August 18	FHA-VA rate up to 16-1/2 percent from 15-1/2 percent.
September 1	Prime rate lowered to 20 percent.
September 21	Prime rate lowered to 19-1/2 percent.
September 22	Fed surcharge cut to 3 percent from 4 percent.
October	Introduction of All Savers Certificates to stimulate savings.
October 6	Prime rate lowered to 19 percent.
	Egyptian President Sadat assassinated.
October 13	Prime rate lowered to 18 percent.
October 30	OPEC price set at $34.00/barrel--the Saudi benchmark.
November 1	Passbook interest rate raised 1/2 percent to 5-3/4 percent.

1981--Continued

November 2	Fed discount rate cut from 14 percent to 13 percent.
	Prime rate lowered to 17-1/2 percent.
November 10	Prime rate lowered to 17 percent.
November 13	Prime rate lowered to 16-1/2 percent.
	FHA mortgage rate lowered to 15-1/2 percent.
November 16	Prime rate lowered to 16 percent.
November 17	Fed eliminates 2 percent surcharge. Discount rate unaffected.
December 1	Prime rate lowered to 15-1/2 percent.
December 4	Fed discount rate lowered from 13 percent to 12 percent.
December 12	Martial law imposed in Poland.

1982

January 22	Federal funds rate raised to 13-1/2 percent.
January 25	FHA mortgage rate increased from 15-1/2 percent to 16-1/2 percent.
January 27	Federal funds rate raised to 13-3/4 percent.

1982--Continued

February 2	Prime rate raised to 16-1/2 percent by Citibank and Crocker.
February 18	Prime rate increased to 17 percent.
February 24	Prime rate cut back to 16-1/2 percent.
March 1	Ford-UAW Pact ratified. Workers give up two weeks of paid time off and annual 3 percent raises.
March 8	Prime rate lowered to 16 percent.
March 16	Prime rate back up to 16-1/2 percent.
April 1	OPEC cuts production to 17.5 million barrels from current 18.2. Saudi bench mark set at $34 barrels.
April 5	Unemployment rate nationally hits 9.0 percent tying the post-WW II high in May 1975.
April 12	General Motor and United Auto Workers labor agreement approved.
April 26	The U.S. consumer price index declined 0.3 percent--the first decline in 17 years and the largest drop in nearly a quarter of a century.
May 7	U.S. unemployment rate reaches 9.4 percent for a post-WW II record.

CHRONOLOGY--Continued

1982--Continued

May 13	Braniff Air Lines ceases operation.
June 25	Secretary of State Alexander Haig resigns.
June 28	U.S. Supreme Court rules that federally chartered savings and loan associations cannot be prohibited from enforcing due-on-sale clauses in their mortgage contracts.
July 20	Discount rate lowered from 12 percent to 11-1/2 percent. Prime rate lowered from 16-1/2 percent to 16 percent.
July 27	Prime rate lowered to 15-1/2 percent.
August 2	Discount rate lowered to 11 percent. Prime rate lowered to 15 percent.
August 9	Unemployment rate reached 9.8 percent in July--the highest level since a 9.9 percent rate in 1941.
August 16	Discount rate cut from 11 percent to 10-1/2 percent. Most major banks lower their prime lending rates to 14-1/2 percent.
August 18	Dow Jones Industrial Average rose 38.81 points--an all-time record.
August 19	The stock market trading soared to a record 132,690,000 shares.
August 27	Discount rate lowered to 10 percent. Prime rate lowered to 13.5 percent.

1982--Continued

November 23	Prime rate lowered from 12 percent to 11-1/2 percent.
December 13	Discount rate cut to 8-1/2 percent.
December 14	Introduction of money market deposit accounts by banks and S&Ls.

1983

January 5	Super NOW accounts introducted.
January 11	Prime rate lowered to 11 percent.
January 31	Independent truckers strike begins.
February 10	Independent truckers strike end.
February 15	Toyota/GM agreement to build a small car in late 1984.
February 25	Prime rate lowered to 10-1/2 percent.
March 14	OPEC sets $29 per barrel benchmark price and production quota of 17.5 million barrels.
May 2	A 6.5 magnitude earthquake strikes the town of Coalinga.
	An earthquake measuring 6.5 on the Richter scale strikes Coalinga, California.
June 8	The maximum rate on government-backed mortgages was raised from 11-1/2 percent to 12 percent.
June 18	Paul Volcker reappointed as Federal Reserve Board Chairman.

1983--Continued

June 24	The Federal Budget deficit totalled a record $29.29 billion in May.
July 7	The maximum rate on government-backed mortgages was raised from 12 percent to 12-1/2 percent.
July 13	Chrysler Corporation announced it will repay the remaining $800 million in federally guaranteed loans by September, seven years before they are due.
July 25	The Washington Public Power Supply System defaulted on $2.25 billion in bonds, creating the largest municipal default in U.S. history.
August 1	California's $1.2 billion offering of revenue-anticipation notes, the State's largest note issue, drew strong investor interest. Notes totalling $700 million, maturing next April and June, were oversubscribed.
August 2	The maximum rate on government backed mortgages rose from 12-1/2 percent to 13-1/2 percent.
August 7-August 28	The Communications Workers of America and two other unions strike AT&T.
August 8	Prime rate raised from 10-1/2 percent to 11 percent by most major banks.

1983--Continued

August 23	The maximum rate on government backed mortgages fell from 13-1/2 percent to 13 percent.
September 1	Soviet Union shoots down Korean Airlines Flight 007, New York to Seoul, near the Soviet Island of Salhalin, just north of Japan.
November 1	Maximum rate on VA & FHA mortgages lowered from 13 percent to 12.5 percent.
November 3-December 21	Strike against Greyhound Lines Inc.
December 1	FHA mortgage interest rates begin to float. VA rates are still pegged.

1984

January 3	Breakup of AT&T becomes effective.
February 2	Contemporaneous reserve accounting is required by Fed for all but the very small deposit-taking institutions.
March 19	Prime rate raised from 11 percent to 11-1/2 percent.
March 20	Maximum rate on VA loans raised from 12-1/2 to 13 percent.
April 4	Prime rate raised from 11-1/2 percent to 12 percent.
April 9	Discount rate raised from 8-1/2 percent to 9 percent; the first change in 3 years.
May 5	Prime rate raised from 12 percent to 12-1/2 percent.

1984--Continued

June 26	Prime rate raised from 12-1/2 percent to 13 percent.
September 3 - December 7	Hotel and restaurant strike - San Francisco.
September 15 - October 14	UAW-General Motors strike.
September 28	Prime rate reduced from 13 percent to 12-3/4 percent.
October 16	Prime rate reduced from 12-3/4 percent to 12-1/2 percent.
October 28	Prime rate reduced from 12-1/2 percent to 12 percent.
November 7	Prime rate reduced from 12 percent to 11-3/4 percent.
November 21	Discount rate reduced from 9 percent to 8-1/2 percent.
November 28	Prime rate reduced from 11-3/4 percent to 11-1/4 percent.
December 17	Prime rate reduced from 11-1/4 percent to 10-3/4 percent.
December 24	Discount rate reduced from 8-1/2 percent to 8 percent.

1985

January 1	Federal price controls removed from approximately half of the natural gas produced in the United States.

1985 Continued

January 15	Prime rate reduced from 10-3/4 percent to 10-1/2 percent.
March 9	Home State Savings Bank Cincinnati, Ohio closed.
March 15	Seventy Ohio thrift institutions closed to prevent run on deposits.
March 25	Maximum rate on VA loans raised from 12-1/2 percent to 13 percent.
May 2	Auto manufacturer's initiate low interest loan programs.
May 17- June 14	United Airlines--Air Pilots Association strike.
May 17	Prime rate reduced from 10-1/2 percent to 10 percent.
May 20	Dow Jones Industrials close above 1,300 for the first time.
May 29	Presidents' tax reform plan unveiled.
June 18	Prime rate reduced to 9 1/2 percent from 10 percent.
July 16	Conventional mortgage rates fell to 12.03 percent average--the lowest since October 1979.
July 22- October 16	8,200 steelworkers on strike at Wheeling Pittsburgh--the industry's first major walkout in 26 years.
August 15	GM announces 7.7 percent financing rate program to run through October 2nd.

	1985--Continued
August 20	Ford and Chrysler announce incentive plans including low interest loans and rebates on 1985 autos.
September 4	The Farm Credit System seeks a Federal bailout of its $74 billion loan portfolio.
September 15	A State Department of Housing and Community Development regulation requiring equal access on accessible levels of apartment houses with five or more units, for handicapped persons, went into effect.
September 16	Saudi Arabia announces plans to boost oil production and cut prices.
September 22	G-5 agreement to push the dollar lower.
November 7	Dow Jones Industrials close above 1400 for the first time.
December 10	World oil prices fall by more than a dollar after OPEC decides to abandon price supports.
December 12	President Reagan signs the budget deficit bill into law, raising the debt ceiling to $2 trillion and setting deficit targets for each year through 1991.
December 23	President Reagan signs the farm subsidy bill into law, creating a 5-year plan to bail out the Farm Credit System.

	1986
January 1	Ceiling on Super NOW accounts was removed.
January 17	United Steel workers leaders agreed to allow rank-and-file members to vote on labor contracts for the first time in the union's history.
January 28	Space shuttle Challenger explosion destroys the spacecraft. Seven crew members died.
February 26	Corazon Aquino takes over Phillipines as the new president.
March 3	Dow Jones Industrials close above 1700 for the first time.
March 4	Yields on 10-year Treasury Notes fall below 8 percent for the first time in eight years.
	Oil prices fall to $12 per barrel.
March 7	The discount rate reduced from 7-1/2 percent to 7 percent, following similar cuts by Germany & Japan.
March 10	Prime rate cut to 9 percent from 9-1/2 percent.
March 21	Dow Jones Industrials close above 1800 for the first time.
	Conservative Chirac appointed as Prime Minister of France.
March 25	U.S. warplanes attacked two Libyan ships and a shoreline missile site after Libyan missiles were fired at U.S. planes in the Gulf of Sidra.

	1986--Continued
April 1	Interest ceilings on passbook saving accounts ended.
	Oil prices fall to under $11 per barrel.
April 14	U.S. air strike against Libya.
April 21	U.S. Dollar reaches a post-WWII low against the Yen at 168.60.
	Discount rate cut from 7 percent to 6-1/2 percent.
	Prime rate cut to 8-1/2 percent from 9 percent.
April 23	Paul Volcker warns of public and private debt buildup as a threat to the economy.
April 25	Soviet nuclear plant at Chernobyl destroyed by fire.
May 12	U.S. dollar falls to 159.95 Yen.
May 22	U.S. proposes 35 percent tariff on Canadian cedar shakes and shingles for roofing, leading to a trade dispute between the U.S. and Canada.
June 1- June 26	CWA strike at AT&T.
July 7	The U.S. Supreme Court ruled that the Gramm-Rudman-Hollings mechanism for across the-board, automatic spending cuts was unconstitutional.

	1986--Continued
July 7	The Dow Jones Industrial average was down a record 61.87 points.
July 10	The Fed lowered the discount rate from 6-1/2% to 6%.
July 11	Prime rate cut to 8 percent from 8-1/2 percent.
July 20	Prime rate cut to 7-1/2 percent.
August 1	United steelworkers strike for the first time since 1959. 44,000 workers were involved.
August 20	The discount rate was reduced from 6 percent to 5-1/2 percent.
August 27	The prime rate was cut to 7-1/2 percent from 8 percent.
August 28	General Motors Corp. introduces a new incentive program to lure consumers by an unprecedented auto loan rate of 2.9 percent.
September 4	Stock market prices soared as the Dow Jones Industrial average jumped 38.38 points to a closing record of 1919.17.
September 5	California bank and corporation tax law was amended to provide for a "Waters-Edge" election. This is an alternate treatment of taxable income.
September 11	The Dow Jones Industrial average plummeted a record 86.61 points, or 4.61 percent to 1792.89.

1986--Continued

October 22	President Reagan signs the tax reform bill into law, the first full scale remodification since 1954.
October 27-December 13	Union employees from Kaiser Foundation Hospital, Kaiser Permanente Medical Group, Inc. & Kaiser Foundation Health Plan strike
November 1	The savings bond rate dropped from 7-1/2 percent to 6 percent, affecting new issues only.

1987

January 1	California Legislature approved a measure, effective Jan. 1, 1987, giving school districts the local option to access $1.50 per square foot on new residental construction and $.25 per square foot on new nonresidential construction.
	Fannie Mae raises mortgage ceiling to $153,100 from $133,250.
	OPEC's 7 percent production cut went into effect. U.S. oil prices hit $18 per barrel.
January 8	The Dow Jones Industrial average topped the 2000 mark.
January 19	The Dow Jones Industrial average topped the 2100 mark.

1987--Continued

January 19	The California Trade Office opened in Tokyo.
	The dollar fell to a record low against the yen--150.49 yen to the dollar.
January 22	The Dow Jones Industrial average posted a record 51.60 percent gain to a new high of 2145.67.
February 5	Brazil suspends interest payments on commercial debt.
	The Dow Jones Industrial average topped the 2200 mark.
March 5	Ecuador is rocked by severe earthquake.
March 16	Fannie Mae announces it will not enter home equity loan market.
March 20	The Dow Jones Industrial average topped the 2300 mark.
March 24	U.S. dollar falls to post WW II low--148.5 yen to the dollar.
April 1	The prime rate increased from 7-1/2 to 7-3/4 percent.
April 6	The Dow Jones Industrial average topped the 2400 mark.
April 13	The California Trade Office opened in London.
May 1	The prime rate was increased from 7-3/4 percent to 8 percent.
May 5	Immigration amnesty program in effect.

CHRONOLOGY--Continued

1987 (Continued)

May 7	The Farm Credit System formally asked Congress for a $6 billion loan from the Treasury.
May 15	The prime rate was increased to 8-1/4 percent from 8 percent.
May 17	The U.S.S. Stark was struck by an air-launched Iraqi missile in the Persian Gulf.
June 1	Penalties in place for employers of illegal aliens.
July 17	Dow Jones Industrials close over 2,500 for the first time.
July 22	Kuwaiti tankers placed under U.S. flag for transit through Persian Gulf.
August 10	Dow Jones index closes over 2,600 for 1st time.
August 11	Alan Greenspan sworn in as Chairman of the Federal Reserve Board.
August 17	Dow Jones index closes over 2,700 for 1st time.
September 4	Discount rate raised from 5-1/2 percent to 6 percent.
	Prime rate raised from 8-1/4 percent to 8-3/4 percent.
October 1	Severe earthquake hits Southern California. Epicenter near Whittier.

1987 (Continued)

October 7	Prime rate raised from 8-3/4 percent to 9.25 percent.
October 14	Dow Jones Industrials fall a record 95 points.
October 15	Dow Jones Industrials down 58 points.
October 16	Dow Jones Industrials down a record 108 points.
October 19	Dow Jones Industrial average plunges 508 points, a record 22.6 percent one-day drop. Cumulative four-day decline of 769 points.
October 21	Dow up a record 187 points.
October 22	Prime rate cut to 9 percent from 9.25 percent.
November 2	Dollar falls to 40 year low of 136.95 Yen.
November 5	Prime rate cut to 8.75 percent from 9 percent.
November 23- November 24	Severe earthquakes hit Imperial County.
November 30	Dollar hits postwar lows against Yen and Mark.

1988

February 3	Prime rate cut to 8.5 percent from 8.75 percent.

REFERENCE DATES OF UNITED STATES BUSINESS CYCLES, 1854–1982

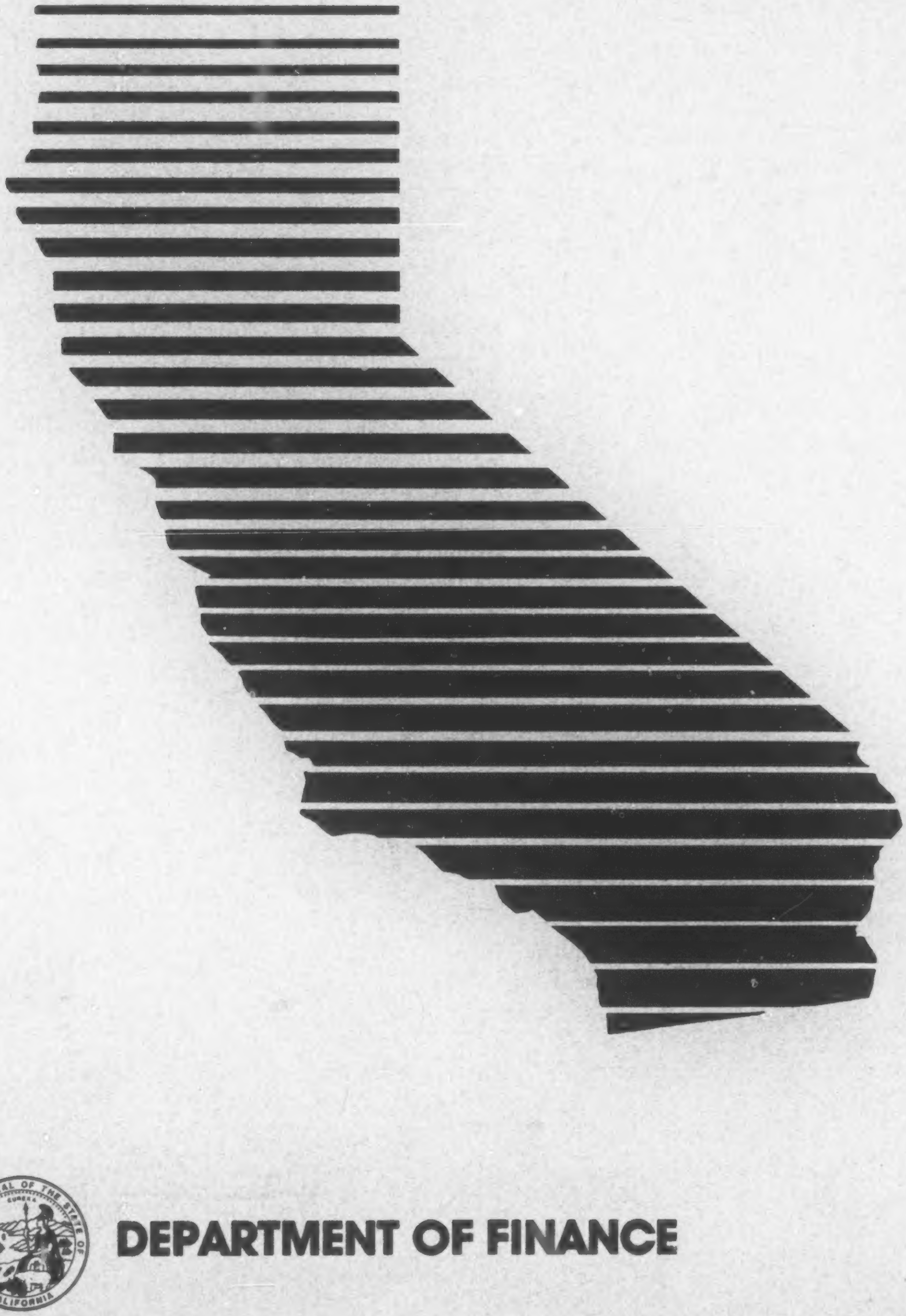
Initial Trough		Peak		Terminal Trough		Expansion (months)	Contraction (months)	Total (months)
Dec.	1854	June	1857	Dec.	1858	30	18	48
Dec.	1858	Oct.	1860	June	1861	22	8	30
June	1861	April	1865	Dec.	1867	46	32	78
Dec.	1867	June	1869	Dec.	1870	18	18	36
Dec.	1870	Oct.	1873	March	1879	34	65	99
March	1879	March	1882	May	1885	36	38	74
May	1885	March	1887	April	1888	22	13	35
April	1888	July	1890	May	1891	27	10	37
May	1891	Jan.	1893	June	1894	20	17	37
June	1894	Dec.	1895	June	1897	18	18	36
June	1897	June	1899	Dec.	1900	24	18	42
Dec.	1900	Sept.	1902	Aug.	1904	21	23	44
Aug.	1904	May	1907	June	1908	33	13	46
June	1908	Jan.	1910	Jan.	1912	19	24	43
Jan.	1912	Jan.	1913	Dec.	1914	12	23	35
Dec	1914	Aug.	1918	March	1919	44	7	51
March	1919	Jan.	1920	July	1921	10	18	28
July	1921	May	1923	July	1924	22	14	36
July	1924	Oct.	1926	Nov.	1927	27	13	40
Nov.	1927	Aug.	1929	March	1933	21	43	64
March	1933	May	1937	June	1938	50	13	63
June	1938	Feb.	1945	Oct.	1945	80	8	88
Oct.	1945	Nov.	1948	Oct.	1949	37	11	48
Oct.	1949	July	1953	May	1954	45	10	55
May	1954	Aug.	1957	April	1958	39	8	47
April	1958	April	1960	Feb.	1961	24	10	34
Feb.	1961	Dec.	1969	Nov.	1970	106	11	117
Nov.	1970	Nov.	1973	March	1975	36	16	52
March	1975	Jan.	1980	July	1980	58	6	64
July	1980	July	1981	Nov.	1982	12	16	28

SOURCES OF STATISTICAL SERIES

Employment Development Department Employment Data and Research	Civilian Employment Unemployment Unemployment rate Nonagricultural employment Manufacturing employment Hours and earnings Nonagricultural placements Initial claims for unemployment insurance Insured unemployment Index for production worker hours
Department of Industrial Relations Division of Labor Statistics and Research	California consumer price index
Department of Finance	Personal income Wages and salaries Index of leading indicators
Department of Motor Vehicles	New auto registrations
State Board of Equalization	Taxable sales
U.S. Department of Commerce	Retail sales Housing units authorized Valuation of nonresidential construction
U.S. Bureau of Labor Statistics	Consumer price indices
U.S. Department of Defense	Prime defense contracts
U.S. Department of Energy	Electricity production
California Redwood Association	Lumber production
Conservation Committee of California Oil Producers	Petroleum production
U.S. Bureau of Mines	Cement production
California Secretary of State	New business incorporations
Coldwell Banker	Vacancy Rates
California Association of Realtors	Existing family homes data

CALIFORNIA ECONOMIC INDICATORS

May 1988



DEPARTMENT OF FINANCE

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INTRODUCTION

California Economic Indicators is a bimonthly summary of economic trends and data relating to the State of California. Generally patterned after the U.S. Bureau of Economic Analysis publication *Business Conditions Digest*, the report contains regular features in each issue.

Developments in California over the most recent months are reviewed in a brief text, and then summarized in current data tables which show changes over the previous year. Charts containing monthly and quarterly series from 1979 are included to facilitate the review of current developments, and to appraise the significance of the developments on the State's economy. Much of the data in the report has been seasonally adjusted by the source agency or by the Department of Finance.

Reference dates for U.S business cycles, as determined by the National Bureau of Economic Research, are also shown. Finally, sources are cited on the inside back cover to assist readers in obtaining any additional information on the statistical series published.

The Department of Finance welcomes suggestions on additions or changes which would make the *Indicators* a more useful publication. Correspondence should be addressed to the State of California, Department of Finance, Financial Research Unit, 1025 P Street, Sacramento, CA 95814.

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REVIEW OF ECONOMIC DEVELOPMENTS

The rate of economic growth in California has slowed in recent months, following the exceptionally strong pace of late 1987 and early 1988. Nonagricultural payroll employment gains, which averaged 56,000 per month from September through February, slowed to just under 20,000 monthly during March, April and May.

The slowdown in job gains has been widespread, including both goods producing and service producing activities. The California situation parallels the national experience, and should help relieve concerns that the economy might be overheating.

The unemployment rate, which reached an 18-year low of 5 percent in March, and remained a low 5.1 percent in April, jumped to 6.3 percent in May. The most recent reading should not be taken at face value. For one thing, the household sample, on which the civilian employment and unemployment figures are based, was cut in April, to just 3,000 households, from nearly 5,000 previously. The smaller sample has the effect of increasing the error factor and month-to-month volatility of the jobless figures.

In addition, May household data are often distorted by the school calender. A few days movement in the sampling period or the beginning of school summer vacation can substantially affect the number of people seeking jobs from one May to the next. Indeed, much of May's increase in unemployment was among younger workers, suggesting that the calender, rather than the economy, was the major element in the jobless rate jump. Subsequent readings will likely show a reduction in unemployment as the jobless figures conform to the historical seasonal norms.

Nonetheless, the slowdown in the more reliable payroll employment figures could imply a slight uptick in the jobless rate. The underlying figure may now be closer to 5-1/2 percent than the 5-1/4 percent rate evident over the first four months of the year.

California's housing sector--both new construction and resale--continues to perform vigorously. During February and March, new housing permits were issued at an annual rate of over 234,000 units, with single family activity at 140,000 in February and 150,000 units in March. Multiple family construction remains below the 100,000 unit pace, with apartment vacancy rates remaining relatively high in several large markets.

The California Association of Realtors reported existing home sales at an annual rate of 520,000 units in March, well above the year earlier pace of 482,000. The March advance is attributed to unusually mild early spring weather coupled with buyer concerns that mortgage interest rates may be headed up again.

Prices are moving up rapidly, with the year-over-year gain in the first quarter averaging 14 percent. Available properties are in short supply, as evidenced by a median time on the market of only 49 days in March. Assuming an average 35 day escrow, this means that on average houses are selling within two weeks of listing.

U.S. Department of Commerce data show California retail sales posting a 7-1/2 percent gain in the first quarter over the comparable 1987 figure. The rise was slightly stronger than the nation's 7 percent increase. California new car registrations totaled 381,000 in the first quarter, also 7-1/2 percent above the 1987 level.

Recent consumer price index figures show inflation in California in line with the national experience. The April California CPI (Los Angeles and San Francisco areas averaged) was up 4.1 percent over the year, compared to a 3.9 percent rise nationally.

Personal Income growth remains quite strong in California. With fourth quarter payroll data now incorporated, it appears that income in 1987 totaled $497.3 billion, a gain of 9 percent over the previous year. First quarter 1988 income is estimated at $526 billion, continuing the 9 percent year-to-year growth pattern. The latest 1987 income figures are considerably stronger than U.S. Department of Commerce preliminary estimates for California. The preliminary Commerce figures show a 7.3 percent gain in 1987, but are based on incomplete data. The Commerce income data will be revised in August.

Quarterly data for 1987 remain erratic. Payroll data for the third quarter show widespread weakness in wages and salaries, which comprise 60 percent of total income. The $3 billion third quarter decline was recorded despite solid growth in employment during the period. However, second and fourth quarter wage growth, of $9 billion and $16 billion, respectively, was unusually strong. This pattern suggests that there may have been a quirk in the timing of wage payments last summer. Underlying income growth was probably considerably smoother than the payroll figures suggest.

Apart from these possible timing problems, services wages in the fourth quarter were exceptionally strong, advancing $7 billion or 10 percent from the third quarter figure. Much of the strength was in the various professions, suggesting that tax planning may have played a role. Income may have been shifted from professional corporations to individuals in the form of wages.

Also adding to fourth quarter wages was an extra pay period for some Federal government workers. In an effort to contain the fiscal 1987-88 budget deficit, some pay was deferred into the new fiscal year which began October 1.

The first quarter 1988 estimate assumes a return to more normal patterns. Total personal income is estimated to have increased $9.5 billion, a 7-1/2 percent annual rate.

County Income Data. The U.S. Department of Commerce has released personal income data for counties for 1985 and 1986. Previously published data have also been revised back to 1969. Owing to extensive revisions in the national income accounts, which form the basis for the regional income data, county estimates were not published last year. The revisions bring the county data into line with current state and national income figures.

For the most part, variation in total incomes among the counties reflects population, with Los Angeles County's $141 billion figure accounting for more than 30 percent of the State total. Growth in total income is also heavily influenced by population growth. However, local economic trends will also have a considerable influence. This is most evident in several agricultural counties, where income gains or losses reflect market conditions for locally grown crops.

Generally, per capita income will be higher in the large urban areas, and highest of all in the San Francisco Bay area. Of the top ten counties in terms of per capita income, eight are in the Bay Area. For the tenth year in a row, Marin County ranked first in per capita income at over $29,000 per person. Around the Bay, San Mateo, San Francisco, Santa Clara and Contra Costa counties ranked second through fifth in 1986. In Southern California, Orange and Santa Barbara counties rank sixth and seventh.

Rural counties, where living costs are generally lower, also have lower per capita incomes. In 1986, for the first time, per capita income in each of the 58 counties exceeded $10,000.

CALIFORNIA PERSONAL INCOME 1987-88
(Billons of Dollars)

	1987 I	II	III	IV	Year	% Change 1987/86	1988 I
Wages and Salaries	286.8	295.5	292.6	308.3	295.8	9.6	314.2
Other Labor Income	27.5	28.4	27.9	29.1	28.2	8.0	29.4
Proprietors' Income	46.1	47.5	48.7	50.5	48.9	16.2	52.9
Farm	5.2	5.1	5.3	5.1	5.2	15.6	5.5
Nonfarm	40.8	42.5	43.4	45.4	43.7	16.2	47.3
Property Income	78.7	79.6	81.4	85.2	81.2	5.7	86.5
Dividends	10.3	10.6	10.9	11.1	10.7	8.1	11.3
Interest	63.4	64.3	66.2	68.8	65.7	5.1	69.9
Rent	5.0	4.7	4.3	5.2	4.8	9.1	5.3
Transfer Payments	63.9	64.7	65.2	65.9	64.9	5.9	68.2
Less: Contributions for Social Ins.	21.6	22.2	22.0	22.7	22.1	10.0	25.3
Plus: Residence Adjustment	0.2	0.3	0.3	0.3	0.3	2.4	0.3
Total Personal Income	481.5	493.7	493.8	516.5	497.3	9.0	526.0

Note: Components may not add to totals due to rounding.

PERSONAL INCOME BY COUNTY, 1986

County	Total Personal Income		Per Capita Personal Income		
	$ in Millions	% Change 1985-86	Dollars	% Change 1985-86	1986 Rank
Alameda	21,418.2	5.5	17,720	4.3	8
Alpine	17.5	13.6	13,632	4.6	22
Amador	313.5	7.8	13,207	5.4	30
Butte	2,015.0	8.0	12,088	5.3	45
Calaveras	304.4	4.8	10,738	-1.8	55
Colusa	202.1	-3.4	13,480	-6.1	25
Contra Costa	14,671.9	5.4	20,233	3.9	5
Del Norte	205.0	5.9	10,653	2.8	56
El Dorado	1,547.0	8.6	14,292	4.2	21
Fresno	7,872.6	5.7	13,397	3.7	28
Glenn	282.9	2.2	12,233	1.5	44
Humboldt	1,482.8	7.7	12,988	5.6	33
Imperial	1,112.1	3.6	10,391	2.4	57

...Continued

PERSONAL INCOME BY COUNTY, 1986 (Con't)

County	Total Personal Income $ in Millions	Total Personal Income % Change 1985-86	Per Capita Personal Income Dollars	Per Capita Personal Income % Change 1985-86	Per Capita Personal Income 1986 Rank
Inyo	243.7	4.2	13,412	4.5	27
Kern	6,636.3	6.7	13,429	3.5	26
Kings	948.3	2.3	11,041	1.2	52
Lake	608.5	8.3	12,391	5.2	43
Lassen	281.7	6.4	11,272	3.7	50
Los Angeles	140,932.9	7.9	16,988	5.8	11
Madera	858.1	12.2	11,018	7.8	53
Marin	6,551.1	8.0	29,055	7.7	1
Mariposa	171.7	8.7	12,521	5.4	41
Mendocino	963.1	7.3	12,877	5.1	35
Merced	1,954.4	9.7	11,950	6.0	46
Modoc	104.4	-5.7	11,424	3.5	49
Mono	132.7	7.5	15,515	6.2	16
Monterey	4,795.1	7.0	15,228	4.6	18
Napa	1,787.3	4.8	17,066	3.3	9
Nevada	931.4	8.3	13,105	3.1	32
Orange	43,670.2	8.4	20,154	6.4	6
Placer	2,307.8	8.5	16,192	5.0	14
Plumas	247.5	6.9	12,690	4.8	39
Riverside	12,499.5	7.5	14,500	2.0	20
Sacramento	14,056.1	9.1	15,367	6.2	17
San Benito	420.4	8.7	13,229	3.9	29
San Bernardino	14,973.5	7.3	13,145	1.9	31
San Diego	35,089.8	8.9	15,940	5.5	15
San Francisco	16,539.7	7.9	22,084	5.2	3
San Joaquin	5,575.2	7.2	12,885	2.8	34
San Luis Obispo	2,672.7	9.0	13,589	4.2	24
San Mateo	14,293.0	6.9	23,296	7.2	2
Santa Barbara	6,103.8	7.2	17,986	4.7	7
Santa Clara	29,343.8	8.1	20,935	7.8	4
Santa Cruz	3,584.0	8.4	16,403	5.6	13
Shasta	1,705.2	8.0	12,814	6.0	36
Sierra	43.4	5.9	12,594	4.7	40
Siskiyou	508.1	6.9	11,918	6.9	47
Solano	3,919.2	4.7	13,630	-0.0	23
Sonoma	5,859.6	5.7	17,055	2.8	10
Stanislaus	4,024.9	6.7	12,714	2.5	38
Sutter	758.6	2.9	12,777	0.8	37
Tehama	500.9	7.1	11,178	5.3	51
Trinity	147.6	7.9	10,924	7.4	54
Tulare	3,363.7	7.3	11,708	4.5	48
Tuolumne	528.9	10.1	12,493	5.5	42
Ventura	10,355.8	9.0	16,950	7.1	12
Yolo	1,917.5	8.4	15,217	6.4	19
Yuba	554.0	5.7	10,112	3.6	58
CALIFORNIA	455,300.9	7.7	16,904	5.4	

Source: U.S. Department of Commerce, Bureau of Economic Analysis

FORECAST UPDATE

This forecast is based on data available through April 30, and was prepared for the May Revision to the Governor's 1988-89 fiscal year budget.

The Nation

The economic outlook has strengthened somewhat in recent months. Late last year, the sharp drop in the stock market, resulting uncertainties over consumer attitudes and business investment plans, the steady decline of the U.S. dollar, and a massive foreign trade deficit cast a shadow over the U.S. outlook. At that time, positive elements were difficult to find.

In these circumstances, the Department of Finance forecast published early this year called for moderate growth--no strong expansion, but still no downturn in economic activity.

Since then, the economy has performed better than expected. The stock market has reestablished more normal trading patterns. Consumers have maintained their spending levels. Business investment has accelerated, the trade deficit has narrowed and the dollar has stabilized.

Employment gains were substantial during the first quarter, with the jobless rate continuing to fall. Inflation remained restrained, and interest climbed modestly.

This updated forecast reflects the positive first quarter performance. The outlook is still one of moderate growth. Real gross national product is now expected to be up about 3 percent in 1988, with an easing to around 2 percent in 1989. Consumer spending remains strong, business investment accelerates and the trade deficit continues to improve.

Single family residential building is holding up well, although higher mortgage rates will place some constraints on activity later this year. Multi-family housing continues to slump in response to the 1986 tax reform and high vacancy rates in many areas.

Consumers are expected to maintain a good level of spending. However, high levels of debt relative to income, fewer price incentives and previous strength in car sales will combine to hold new auto volume to 10.4 million this year and 10.2 million next. Clothing purchases are also restricted by higher import prices.

Government is not expected to provide much stimulus. Defense is virtually flat in real terms, while nondefense outlays remain volatile, reflecting crop support payments. The state and local sector is expect to post a 2.7 percent gain in real terms.

One area of concern relates to inflation. Until now, price increases have been generally moderate. However, there is potential for an acceleration of prices in the months ahead. Strong demand, both domestic and export, has begun to put pressure on several basic industries. This pressure is already being reflected in higher raw commodity prices. The low jobless rate is placing modest upward pressure on wages, especially in the service sector.

The current forecast assumes that concerns about inflation will be quickly reflected in the financial markets, leading the Federal Reserve to snug up interest rate policy before inflation gets out of hand.

Another issue is the higher minimum wage, effective in California July 1, and expected to spread nationwide within the year. While fewer than 5 percent of workers are currently employed at the minimum wage, there will be some upward ripple effects as various wage scales are adjusted to maintain relative positions. Overall, consumer prices are expected to rise about 4 percent this year and 4-1/2 percent in 1989.

California

In line with the national situation, the California outlook has also improved in recent months. More complete data for 1987 show stronger gains in both employment and personal income than was evident late last year.

Although the California economy typically grows at a faster pace than the nation as a whole, the dominant influence on the State is the national economy. With the 1988 slowdown in economic activity now removed from the national outlook, California's economy should continue on a path of solid growth this year.

Both employment and income are expected to be roughly in line with last year's performance. Personal income growth is projected at just under 8 percent this year and slightly more than 7 percent in 1989.

Nonagricultural employment growth should again average 4 percent in 1988. Next year, some slowing is expected, with payrolls up by just under 3 percent.

The unemployment rate is expect to average in the low 5 percent range this year and next. This is essentially a "full employment" jobless rate. Firms in the larger metropolitan areas, where rates of 4 percent or less are common, are already experiencing difficulty filling positions. This situation is expected to place upward pressure on wages over the next 18 months. A higher per worker wage is the main reason that income gains are maintained despite the slowing of employment growth in 1989.

Strong income gains should continue to support growth in spending by California consumers. Other elements of the early year forecast, including the expectation that the more favorable dollar exchange rate will boost agriculture, tourism, and electronics manufacturing, remain a part of the updated forecast.

Lower defense spending will lead to some decline in aircraft, missile, and space manufacturing, but export growth and strong domestic business equipment demand should boost electronics activity, with the result that total aerospace employment continues to expand.

Building permit data show some moderation in construction activity, mainly in multi-unit residential and commercial office building. Both of these sectors were affected by the 1986 tax reform, and both have experienced a degree of overbuilding in recent years. As a result, construction employment is expected to remain near current levels over the forecast horizon.

Given recent favorable experience, the pick up in inflation this year is slightly less than previously forecast. However, higher utility rates, following the dry winter, rising wages, and substantial increases in home prices are elements which could boost the California consumer price index later this year and in 1989.

* * *

CALIFORNIA CPI

The California Consumer Price Index, a weighted average of the Los Angeles and San Francisco area indexes, has now been calculated on the new 1982-84 = 100 base. The base period included San Diego, but it was necessary to drop San Diego from the index when that area was shifted to semi-annual publication. For California, only the all items indexes are calculated; no component parts are available.

The California CPI for the years 1970 to 1987 appears in the table on page 11, following the U.S. and California forecast tables.

* * *

SELECTED NATIONAL ECONOMIC INDICATORS

				Percent Change--Prior Year		
	1987	1988	1989	1987	1988	1989
REAL GNP (1982$ Bil)	3821.0	3931.0	4013.3	2.9	2.9	2.1
REAL FINAL SALES (1982$ Bil)	3778.1	3893.8	3983.8	2.1	3.1	2.3
PERSONAL INCOME ($ Bil)	3746.5	3982.8	4204.0	6.0	6.3	5.6
Savings Rate	3.7%	4.3%	3.6%			
EMPLOYMENT AND UNEMPLOYMENT						
Civilian Labor Force (Mil)	119.8	121.9	123.9	1.7	1.7	1.6
Civilian Employment (Mil)	112.4	115.1	116.8	2.6	2.3	1.5
Unemployment (Mil)	7.4	6.8	7.1	-10.1	-7.7	3.5
Unemployment Rate (Pct)	6.2%	5.6%	5.7%			
Non-Farm W&S Empl (Mil)	102.1	105.3	107.3	2.5	3.2	1.8
FINANCIAL INDICATORS						
Money Supply M1 ($Bil)	744.0	775.4	817.8	10.5	4.2	5.5
Money Supply M2 ($Bil)	2861.9	3033.0	3276.3	6.7	6.0	8.0
Federal Funds Rate (Pct)	6.7	6.8	6.9			
Bank Prime Rate (Pct)	8.2	8.7	8.9			
Mortgage Rate (Pct)	10.2	10.1	10.2			
Cons. Install. Credit ($Bil)	592.4	650.2	718.7	6.6	9.8	10.5
PRICES						
CPI All Items (1967=100)	113.6	118.1	123.4	3.7	3.9	4.5
GNP Deflator (1982=100)	117.4	121.3	126.3	3.0	3.2	4.1
PRODUCTION AND SALES						
Industrial Production (67=100)	129.8	135.5	137.7	3.8	4.4	1.7
Housing Starts (Units Mils)	1.63	1.51	1.55	-10.2	-7.6	2.8
New Car Sales (Units Mils)	10.3	10.4	10.2	-10.2	1.4	-2.6
CORPORATE PROFITS ($Bil)						
Profits w/IVA, CCA	304.7	313.9	379.3	7.1	3.0	20.8
Total Corporate Profits	274.0	278.7	323.8	18.2	1.7	16.2
Corporate Profits Taxes	136.3	136.6	158.7	29.7	0.2	16.2
Corporate Profits After Tax	137.7	142.2	165.1	8.6	3.2	16.2

SELECTED CALIFORNIA ECONOMIC INDICATORS

				Percent Change--Prior Year		
	1987	1988	1989	1987	1988	1989
EMPLOYMENT AND UNEMPLOYMENT (Thous)						
Civilian Employment	12,956	13,459	13,876	4.1	3.9	3.1
Unemployment Rate (%)	5.7%	5.0%	5.1%			
Nonagricultural Employment	11,709	12,193	12,550	4.0	4.1	2.9
Mining	40	41	42	-5.1	1.0	2.1
Construction	581	621	626	11.1	-1.2	0.5
Manufacturing	2,105	2,158	2,185	1.7	2.5	1.2
Nondurable Goods	683	707	725	4.6	3.5	2.6
Durable Goods	1,422	1,451	1,460	0.4	2.0	0.6
Aerospace/Electronics	758	771	782	0.8	1.7	1.4
Transportation-Utilities	580	582	586	0.9	0.3	0.7
Wholesale-Retail Trade	2,761	2,901	2,973	2.8	5.1	2.5
Finance,Insurance,Real Est.	806	831	864	5.6	3.1	3.9
Services	2,945	3,118	3,291	7.0	5.9	5.5
Government	1,890	1,941	1,984	2.8	2.7	2.2
PERSONAL INCOME ($Mil)						
Total Personal Income	494,707	533,477	572,670	8.5	7.8	7.3
Wages and Salaries	294,375	319,048	345,515	9.1	8.4	8.3
Other Labor Income	28,227	30,122	31,915	8.2	6.7	6.0
Proprietors' Income	47,966	52,330	54,775	13.9	9.1	4.7
Farm	5,181	5,498	5,740	15.3	6.1	4.4
Nonfarm	42,785	46,833	49,035	13.8	9.5	4.7
Interest, Dividends, Rent	81,115	88,417	94,889	5.6	9.0	7.3
Transfer Payments	64,900	68,936	73,048	5.9	6.2	6.0
Less: Contributions for Social Insurance	22,129	25,635	27,735	9.9	15.8	8.2
Residence Adjustment	251	255	260			
CONSUMER PRICE INDEX (1982-84=100)						
California CPI	116.6	122.1	128.3	4.1	4.7	5.0
Los Angeles CPI	116.7	122.1	128.2	4.2	4.7	5.0
San Francisco CPI	115.4	121.2	127.4	3.4	5.1	5.1
HOUSING (Units Thousands)						
Total Housing Units Authorized	243	214	224	-21.6	-11.7	4.4
Single Family	133	121	132	-6.9	-8.6	8.5
Units in Multiples	110	93	92	-34.2	-15.8	-0.8

Note: 1987 figures reflect data available as of April 30, 1988.

ANNUAL AVERAGES FOR CALIFORNIA CPI-U AND CPI-W
(1982-84 = 100)

	CCPI-U				CCPI-W			
Year	San Francisco	Los Angeles	San Diego	CCPI-U	San Francisco	Los Angeles	San Diego	CCPI-W
1970	37.7	38.7	34.1	37.9	38.0	38.7	35.8	38.2
1971	39.1	40.1	35.4	39.3	39.4	40.1	37.1	39.6
1972	40.4	41.4	36.8	40.6	40.8	41.4	38.6	40.9
1973	42.8	43.7	39.2	43.0	43.2	43.7	41.1	43.3
1974	47.0	48.2	43.5	47.4	47.4	48.2	45.6	47.7
1975	51.8	53.3	47.6	52.3	52.2	53.3	49.9	52.6
1976	54.6	56.9	50.5	55.6	55.2	56.8	52.9	55.9
1977	58.8	60.8	53.8	59.5	59.4	60.8	56.4	59.9
1978	64.3	65.3	59.2	64.4	64.8	65.1	61.9	64.7
1979	69.8	72.3	68.9	71.3	70.5	72.8	71.4	72.1
1980	80.4	83.7	79.4	82.4	81.2	84.7	82.1	83.6
1981	90.8	91.9	90.1	91.4	91.6	93.1	92.8	92.7
1982	97.6	97.3	96.2	97.3	98.2	98.5	99.4	98.5
1983	98.4	99.1	99.0	98.9	98.2	99.3	99.0	99.0
1984	104.0	103.6	104.8	103.8	103.7	102.2	101.7	102.5
1985	108.4	108.4	110.4	108.6	107.8	106.5	104.5	106.7
1986	111.6	111.9	113.5	112.0	110.7	109.5	107.2	109.6
1987	115.4	116.7	117.5	116.6 *	114.3	114.0	111.1	113.9
ANNUAL PERCENTAGE CHANGE								
1971	3.7	3.6	3.8	3.7	3.7	3.6	3.6	3.6
1972	3.3	3.2	4.0	3.3	3.6	3.2	4.0	3.4
1973	5.9	5.6	6.5	5.8	5.9	5.6	6.5	5.7
1974	9.8	10.3	11.0	10.2	9.7	10.3	10.9	10.2
1975	10.2	10.6	9.4	10.4	10.1	10.6	9.4	10.3
1976	5.4	6.8	6.1	6.3	5.7	6.6	6.0	6.3
1977	7.7	6.9	6.5	7.1	7.6	7.0	6.6	7.2
1978	9.4	7.4	10.0	8.2	9.1	7.1	9.8	7.9
1979	8.6	10.7	16.4	10.8	8.8	11.8	15.3	11.5
1980	15.2	15.8	15.2	15.6	15.2	16.3	15.0	16.0
1981	12.9	9.8	13.5	10.9	12.8	9.9	13.0	10.9
1982	7.5	5.9	6.8	6.4	7.2	5.8	7.1	6.3
1983	0.8	1.8	2.9	1.7	0.0	0.8	-0.4	0.5
1984	5.7	4.5	5.9	5.0	5.6	2.9	2.7	3.6
1985	4.2	4.6	5.3	4.6	4.0	4.2	2.8	4.0
1986	3.0	3.2	2.8	3.1	2.7	2.8	2.6	2.8
1987	3.4	4.3	3.5	4.1	3.3	4.1	3.6	3.9

* Excludes San Diego

EMPLOYMENT
(Seasonally Adjusted)

	1988				1987	Percent Change
	May	Apr	Mar	Feb	May	May 1987-May 1988
Civilian Employment (000)	13,251	13,362	13,272	13,279	13,020	1.8
Unemployment (000)	891	715	704	753	843	5.7
Unemployment rate	6.3	5.1	5.0	5.4	6.1	--
Nonagricultural wage and salary employment a/ (000)	12,106.3	12,084.0	12,062.2	12,046.7	11,698.3	3.5
Mining	43.5	43.2	42.6	42.0	40.1	8.5
Construction	625.5	624.4	619.0	617.5	586.9	6.6
Manufacturing	2,143.7	2,141.1	2,139.9	2,145.7	2,111.1	1.5
Aerospace b/	n.a.	n.a.	766.4	765.3	749.3	--
Transportation and Public utilities	580.3	578.8	582.7	581.2	584.2	-0.7
Trade	2,934.6	2,933.2	2,921.3	2,917.6	2,794.3	5.0
Finance, insurance and real estate	805.9	804.3	806.1	804.5	808.0	-0.3
Services	3,028.8	3,019.2	3,012.7	3,009.6	2,898.3	4.5
Government	1,944.1	1,939.8	1,937.8	1,928.5	1,875.5	3.7
Federal	351.3	351.0	352.2	351.7	348.3	0.9
State & local	1,592.7	1,588.8	1,585.6	1,576.8	1,527.2	4.3

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a/ Interim series of wage and salary workers. This unofficial series is adjusted for the latest tabulations of unemployment insurance coverage and approximates what the official data will be when estimates are updated at year end.

b/ The Interim Series does not give a breakdown for aerospace employment. These values are from the EDD official employment series, and are not seasonally adjusted.

n.a. Not available

HOURS AND EARNINGS IN MANUFACTURING

	1988				1987	Percent Change
	Apr	Mar	Feb	Jan	Apr	Apr 1987-Apr 1988
Average weekly hours c/	40.5	41.1	40.5	40.5	39.5	2.5
Average weekly earnings	$439.43	$441.83	$436.19	$440.24	$421.47	4.3
Average hourly earnings	$10.85	$10.75	$10.77	$10.87	$10.67	1.7

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c/ Not seasonally adjusted.

TRADE
(Seasonally Adjusted)

	1988				1987	Percent Change
	Apr	Mar	Feb	Jan	Apr	Apr 1987–Apr 1988
Retail sales (millions)	n.a.	15,836	15,754	15,344	14,646	--
New auto registrations (number)	125,378	128,517	146,091	106,572	122,459	2.4

CONSUMER PRICE INDEX
(1982-84 = 100)

	1988				1987	Percent Change
	Apr	Mar	Feb	Jan	Apr	Apr 1987–Apr 1988
All Urban Series						
California Average	120.6	120.4	119.4	119.0	115.9	4.1
San Francisco	118.7	119.1	117.9	118.4	114.8	3.4
Los Angeles	121.1	120.6	119.7	118.9	116.0	4.4
Wage Earner and Clerical Worker Series						
California Average	117.8	117.4	116.5	116.2	113.3	3.9
San Francisco	117.8	117.9	117.0	117.5	113.9	3.4
Los Angeles	118.0	117.5	116.6	115.9	113.3	4.1

PRODUCTION

	1988			1987	Percent Change
	Mar	Feb	Jan	Dec	Mar 1987–Mar 1988
Petroleum (000 barrels daily)	n.a.	1,070	1,078	1,084	--
Portland cement (000 short tons)	925.2	797.4	697.7	674.3	12.2
Selected redwood and whitewood mill production (mil. board feet)	n.a.	n.a.	n.a.	60.8	--

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n.a. Not available

CONSTRUCTION

	1988 Mar	1988 Feb	1988 Jan	1987 Dec	1987 Mar	Percent Change Mar 1987–Mar 1988
Private Residential Housing Units Authorized (000) [a]	234.7	234.6	203.1	212.1	298.1	-21.3
Single Units	149.9	140.2	140.0	120.7	162.7	-7.9
Multiple Units	84.8	94.4	63.1	91.4	135.4	-37.4
Residential Building Authorized Valuation (millions) [b]	$1,840	$1,689	$1,575	$1,419	$2,033	-9.5
Nonresidential Building Authorized Valuation (millions) [b]	$1,135	$881	$972	$1,036	$1,089	4.2
Nonresidential Building Authorized Valuation (millions) [c]	$1,098	$820	$777	$922	$1,049	4.7
Commercial	$522	$409	$298	$441	$430	21.4
Industrial	$122	$85	$100	$133	$159	-23.3
Other	$163	$96	$121	$60	$138	18.1
Alterations & Additions	$290	$229	$257	$288	$322	-9.9

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[a] Seasonally adjusted annual rate.
[b] Seasonally adjusted.
[c] Not adjusted for seasonal variation.
Totals may not add due to rounding.

VACANCY RATES FOR MARCH 1988
(Percent)

	Office Total	Office Downtown	Office Suburban	Industrial
Northern & Central California				8.6
Oakland - East Bay	24.0	15.6	26.4	
Sacramento	18.0	9.9	20.6	
San Francisco	17.2	13.6	21.9	
San Jose	23.4	23.8	23.3	
Southern California				6.5
Los Angeles	16.8	13.3	17.6	
Orange County	21.6	n.a.	n.a.	
San Diego	21.7	9.2	27.2	
National Average	20.4	16.3	22.3	5.8

MEDIAN PRICE OF EXISTING SINGLE-FAMILY HOMES

1987	Jan	$126,532	Jul	$141,599	1988	Jan	$147,281
	Feb	$128,372	Aug	$143,876		Feb	$147,665
	Mar	$135,278	Sep	$143,882		Mar	$151,725
	Apr	$137,853	Oct	$144,786		Apr	$157,033
	May	$140,853	Nov	$143,043			
	Jun	$141,541	Dec	$144,392			

LEADING INDICATORS

		Manufacturing		New Business Incorporations
		Overtime Hours	Average Weekly Hours	
1987	Apr	3.2	39.8	4,022
	May	3.7	40.5	4,864
	Jun	3.7	40.4	5,179
	Jul	3.6	40.4	5,240
	Aug	3.7	40.4	4,932
	Sep	3.6	39.7	5,209
	Oct	3.8	40.4	4,634
	Nov	3.8	40.6	4,469
	Dec	3.7	40.3	4,481
1988	Jan	3.8	40.8	4,905
	Feb	3.7	40.7	5,652
	Mar	3.9	41.0	5,334
	Apr	3.8	40.8	4,522

		Unemployment Insurance Initial Claims	Housing Unit Authorizations (Thousands)
1987	Jul	52,058	258.8
	Aug	50,721	232.7
	Sep	49,791	225.4
	Oct	48,948	210.9
	Nov	52,096	225.6
	Dec	51,106	212.1
1988	Jan	51,351	203.1
	Feb	51,401	234.6
	Mar	51,587	234.7
	Apr	52,248	n.a.

Note: All data seasonally adjusted.

n.a. Not Available

COINCIDENT INDICATORS

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Thousands)	Insured Unemployment Average Weeks Claimed (Thousands)
1987	Jul	11,679	2,107	5.5	320
	Aug	11,708	2,105	5.4	331
	Sep	11,765	2,103	5.7	325
	Oct	11,774	2,119	5.8	293
	Nov	11,820	2,120	5.3	318
	Dec	11,907	2,132	5.2	318
1988	Jan	11,978	2,139	5.1	321
	Feb	12,047	2,146	5.4	310
	Mar	12,062	2,140	5.0	334
	Apr	12,084	2,141	5.1	311
	May	12,106	2,144	6.3	n.a.

		Personal Income (Millions)	Wages & Salaries from Mining, Construction & Manufacturing (Millions)	Taxable Sales (Millions)
1987	Qtr I	$481,639	$73,256	$55,831
	Qtr II	$496,636	$76,149	$57,668
	Qtr III	$494,223	$75,982	$58,820
	Qtr IV	$516,530	$79,605	$59,330
1988	Qtr I	$526,038	$80,051	n.a.

OTHER INDICATORS

		DOD Prime Contracts (Millions)			Electricity Production (Million Kwh)
1986	Qtr I	6,849	1987	Jul	10,325
	Qtr II	5,697		Aug	10,739
	Qtr III	7,361		Sep	10,863
	Qtr IV	3,901		Oct	11,486
				Nov	10,963
				Dec	10,940
1987	Qtr I	5,767			
	Qtr II	5,886	1988	Jan	10,271
	Qtr III	8,795		Feb	11,514
				Mar	10,754

Note: All data seasonally adjusted

ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are production worker man-hours, insured unemployment, manufacturing employment, and taxable sales. These series are discussed in the technical note below.

TECHNICAL NOTE

Whenever appropriate, data used in the charts have been seasonally adjusted. The series on average weekly hours of production workers in manufacturing and production worker man-hours are adjusted by the Bureau of Labor Statistics method. Other series have been adjusted by the Bureau of the Census (Shiskin) method. Persons interested in a detailed description of these methods are referred to the U.S. Department of Labor, Bureau of Labor Statistics, the BLS Seasonal Factor Method (1964); and the U.S. Department of Commerce, Bureau of the Census. Technical Paper No. 15, The X-11 Variant of the Census Method II. Seasonal Adjustment Program (November 1965).

Under the Census Bureau seasonal method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

Production Worker Man-Hours

This series is a substitute for the man-hours in nonagricultural establishments series used in the Census Bureau's publication, Business Cycle Developments. It is the cross product of average weekly hours of production workers in manufacturing and manufacturing employment. Workweek data are a leading indicator. Manufacturing employment appears to be a coincident indicator, although at times it seems to lead economic downturns. Because of this, the man-hours series has been classified in the present publication as a leading indicator.

Insured Unemployment

The series on total insured unemployment is being used rather than the insured unemployment rate included in the Census Bureau's indicator list. The insured rate is available only with a lag of nine months, which precludes its usefulness as a current indicator.

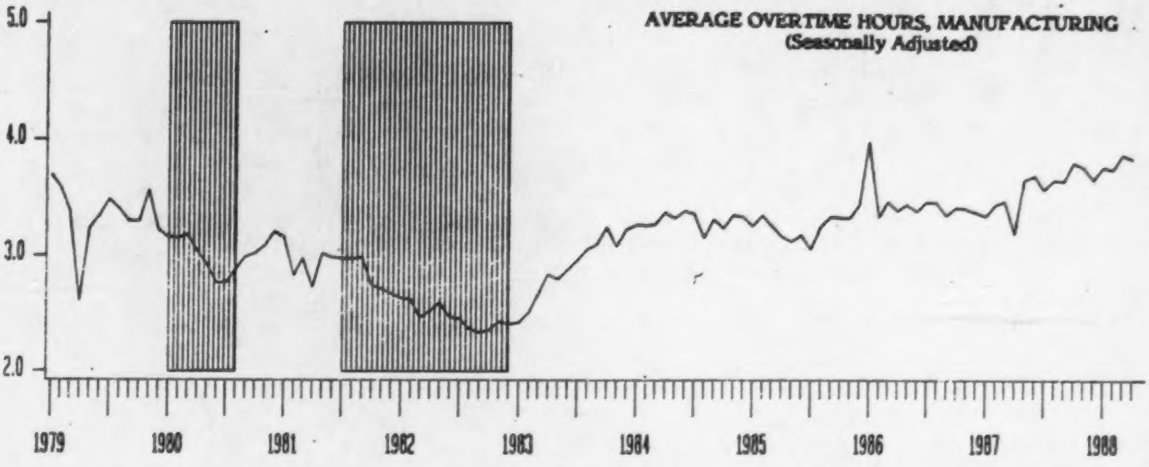
Manufacturing Employment

This series is also an addition to the Census Bureau indicator list. It was used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

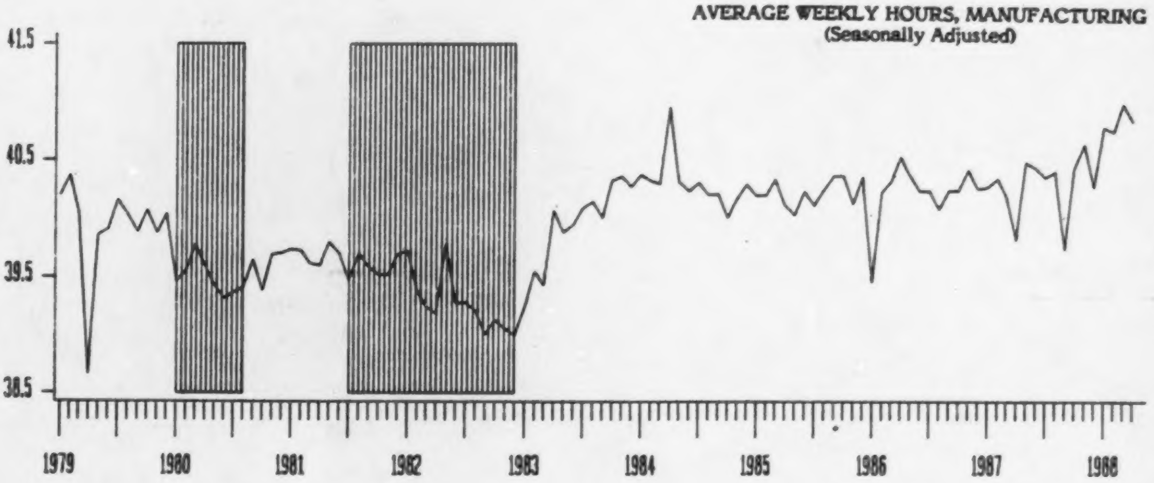
Taxable Sales

Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is therefore a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1956.

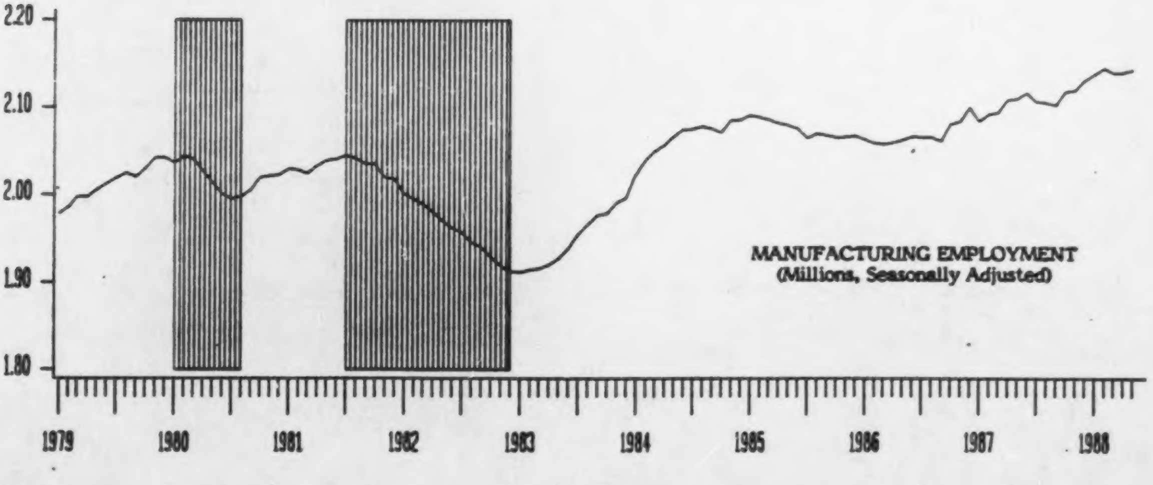
The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.



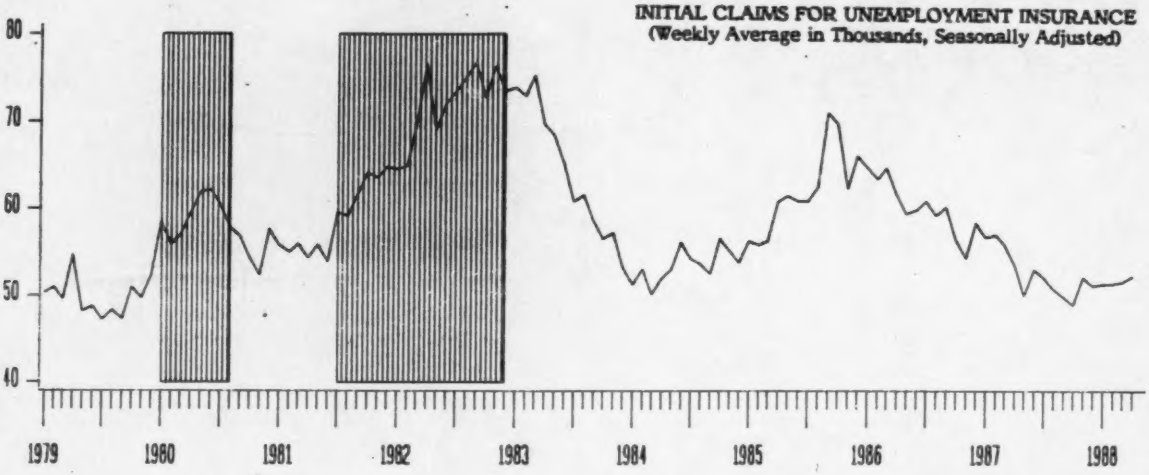
AVERAGE OVERTIME HOURS, MANUFACTURING
(Seasonally Adjusted)



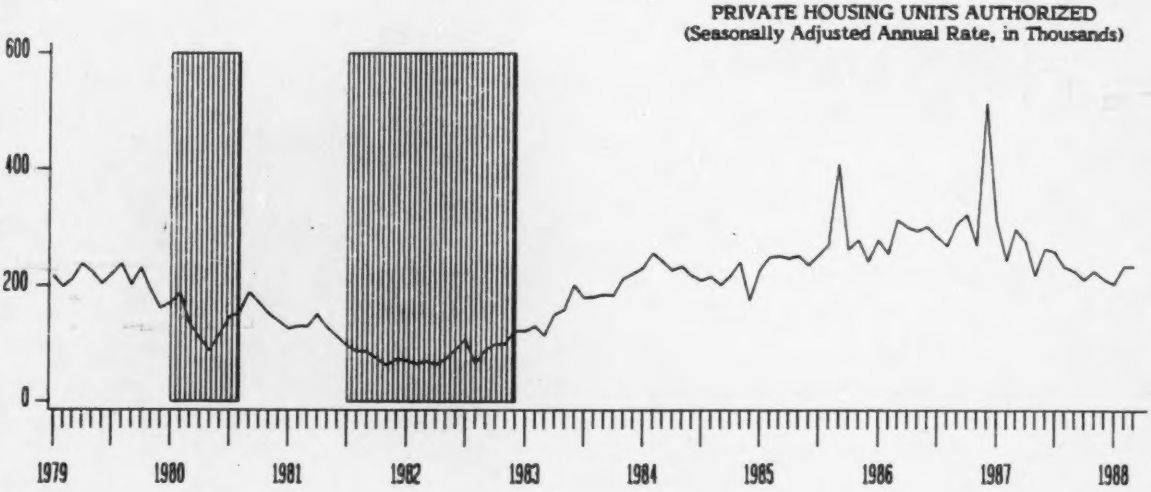
AVERAGE WEEKLY HOURS, MANUFACTURING
(Seasonally Adjusted)



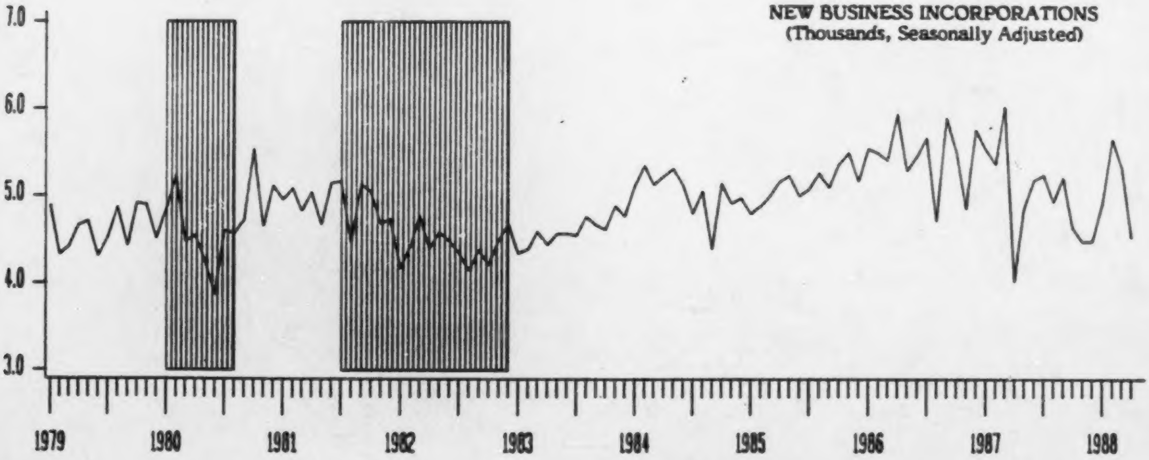
MANUFACTURING EMPLOYMENT
(Millions, Seasonally Adjusted)



INITIAL CLAIMS FOR UNEMPLOYMENT INSURANCE
(Weekly Average in Thousands, Seasonally Adjusted)

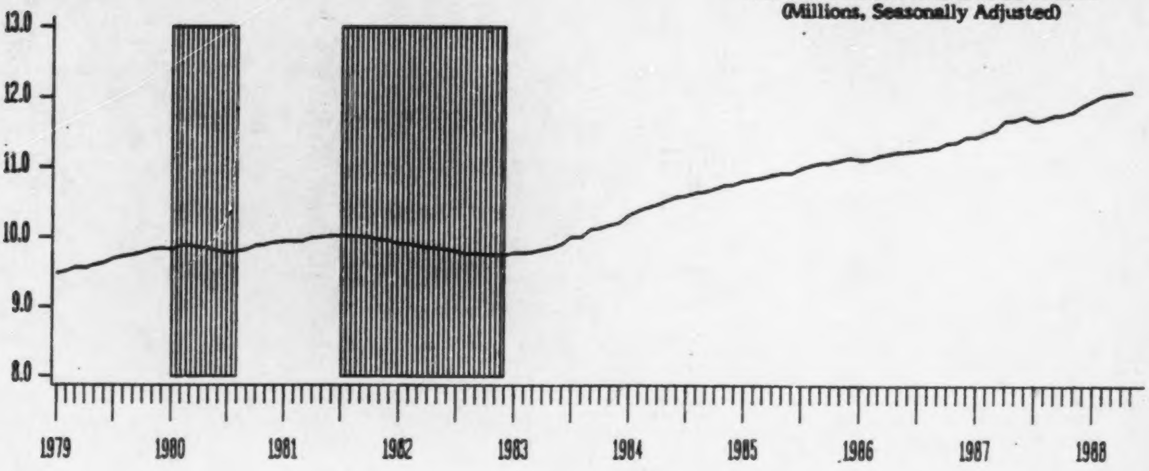


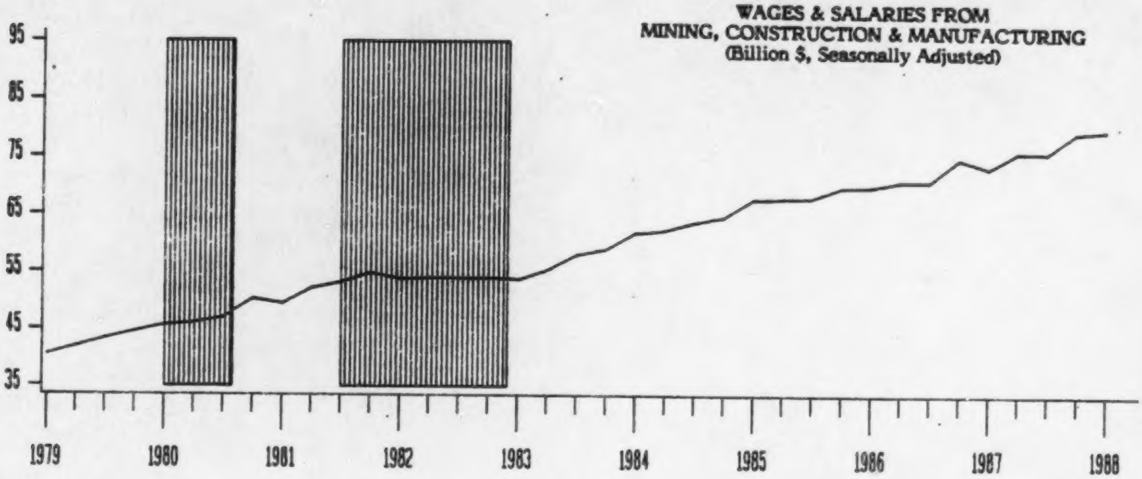
PRIVATE HOUSING UNITS AUTHORIZED
(Seasonally Adjusted Annual Rate, in Thousands)

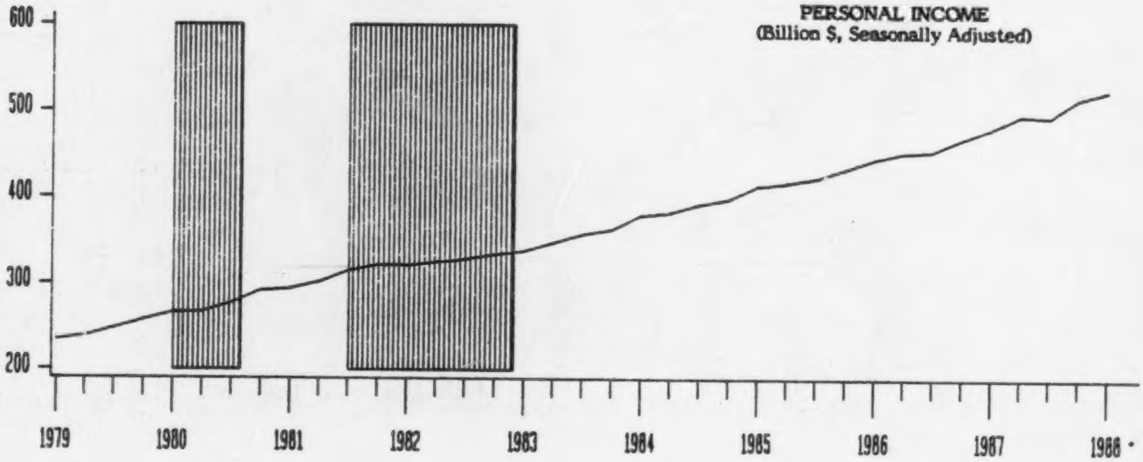


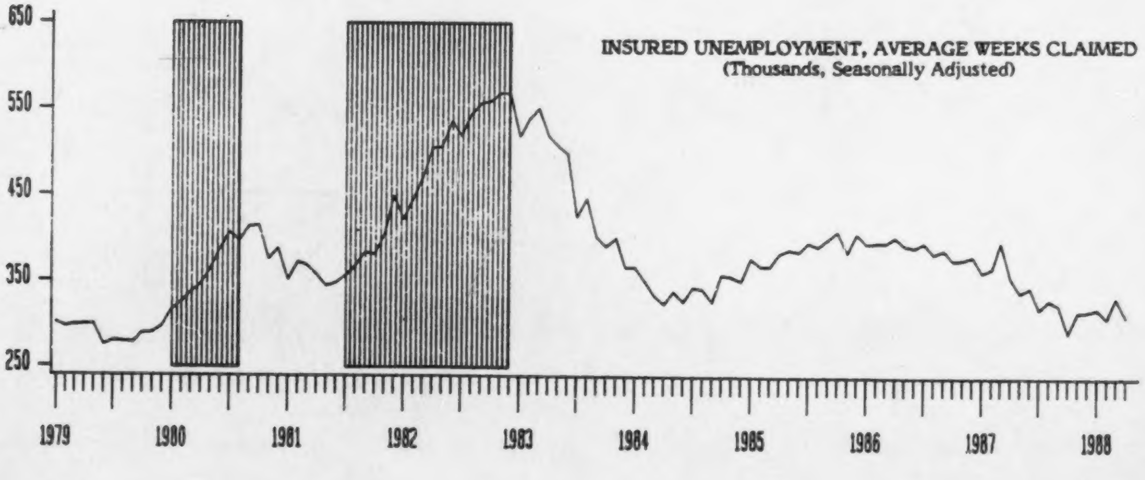
NEW BUSINESS INCORPORATIONS
(Thousands, Seasonally Adjusted)

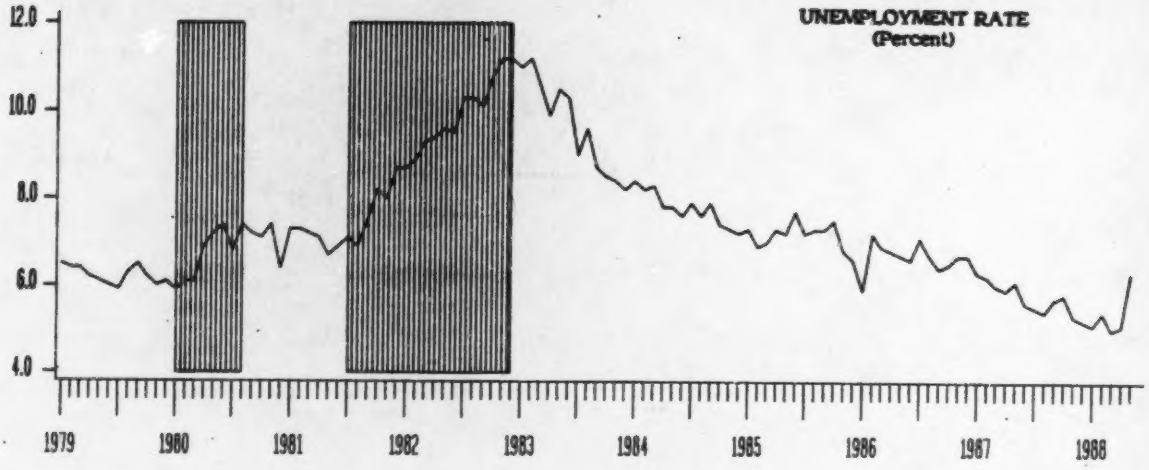
NONAGRICULTURAL EMPLOYMENT
(Millions, Seasonally Adjusted)

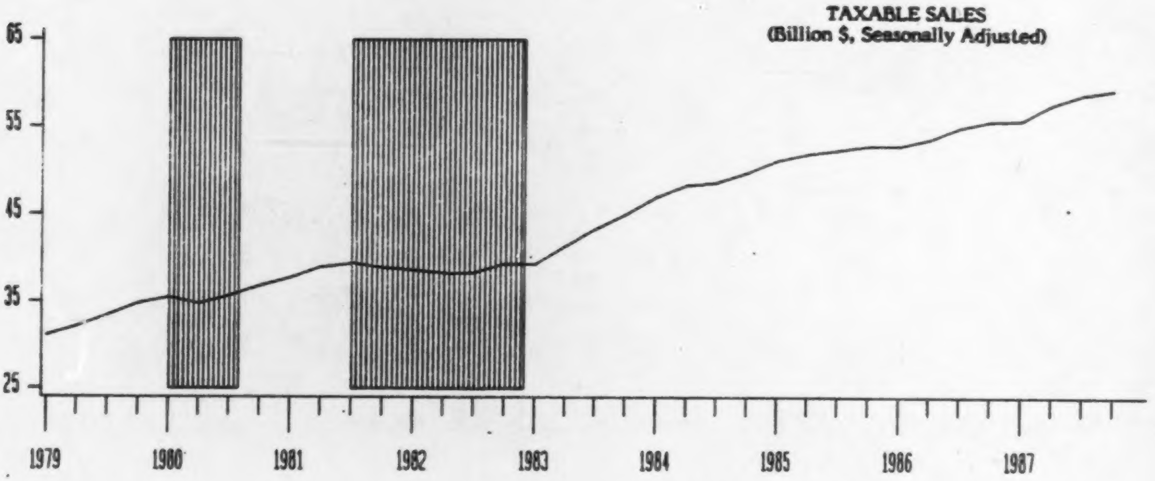


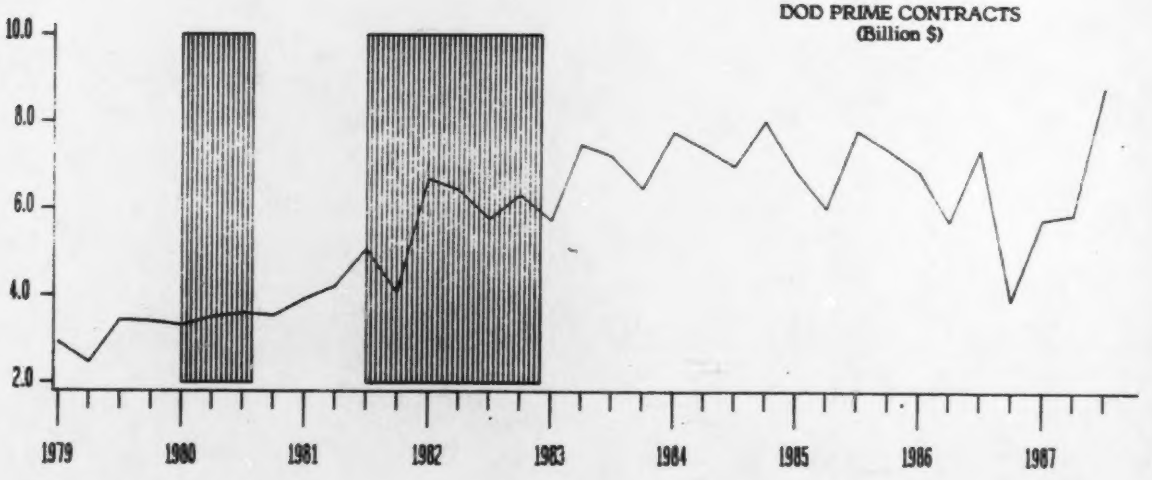

WAGES & SALARIES FROM MINING, CONSTRUCTION & MANUFACTURING
(Billion $, Seasonally Adjusted)

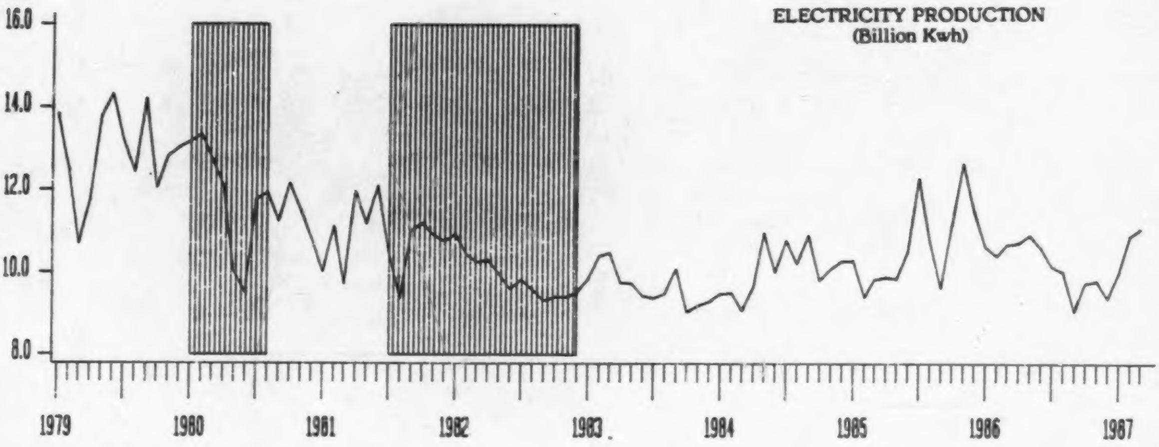

PERSONAL INCOME
(Billion $, Seasonally Adjusted)


INSURED UNEMPLOYMENT, AVERAGE WEEKS CLAIMED
(Thousands, Seasonally Adjusted)

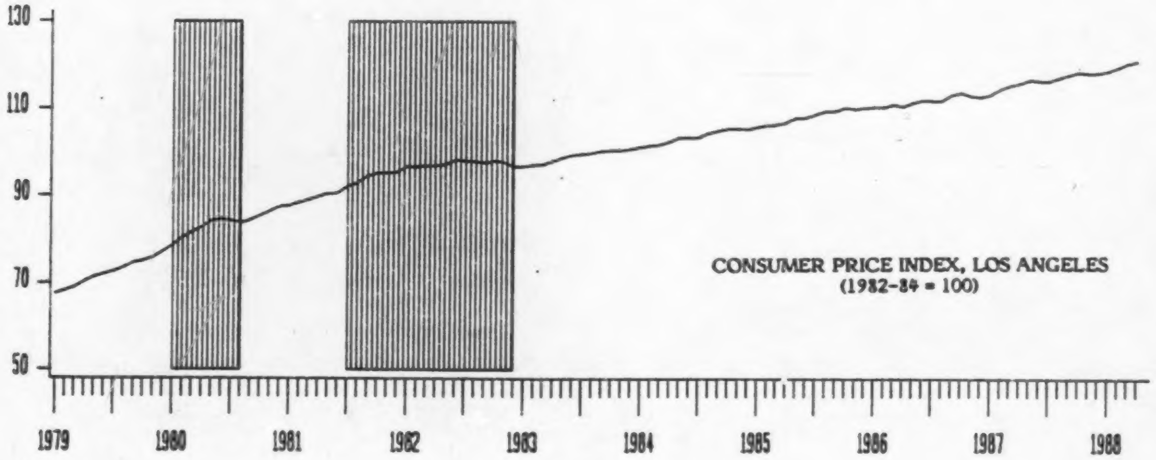

UNEMPLOYMENT RATE
(Percent)


TAXABLE SALES
(Billion $, Seasonally Adjusted)

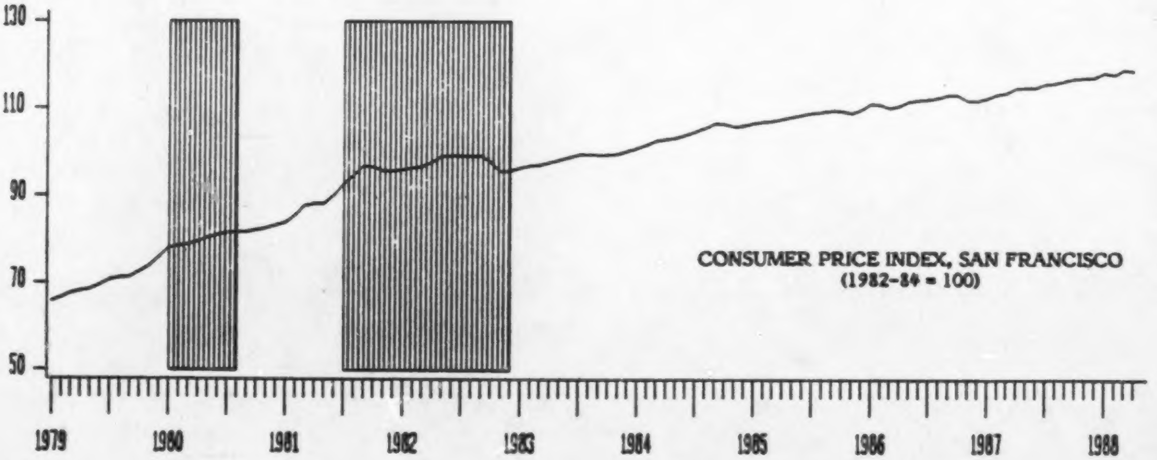

DOD PRIME CONTRACTS
(Billion $)



ELECTRICITY PRODUCTION
(Billion Kwh)



CONSUMER PRICE INDEX, LOS ANGELES
(1982-84 = 100)



CONSUMER PRICE INDEX, SAN FRANCISCO
(1982-84 = 100)

CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national events of general interest have also been included.

	1980
February 25	Prime rate raised to 16-1/2 percent.
February 27	Ceilings on interest rates for government backed mortgages raised to 13 percent.
February 29	Prime rate raised to 16-3/4 percent.
March 4	Prime rate raised to 17-1/4 percent.
March 7	Prime rate raised to 17-3/4 percent.
March 13	Prime rate raised to 18-1/4 percent.
March 14	Announcement of tighter fiscal policies.
March 17	Three percent discount rate surcharge imposed.
March 18	Prime rate raised to 19 percent.
April 2	Prime rate raised to 20 percent.
April 3	FHA mortgages raised to 14 percent.
April 20	Prime rate reduced to 19-1/2 percent.

	1980--Continued
April 28	FHA mortgages reduced to 13 percent.
	Prime rate reduced to 18-1/2 percent.
May 5	Prime rate reduced to 18 percent.
May 7	Prime rate reduced to 17 percent.
May 8	Discount rate surcharge reimposed.
May 12	Prime rate reduced to 16-1/2 percent.
May 19	Prime rate reduced to 16 percent.
May 28	Discount rate lowered to 12 percent. Some conventional mortgage rates fell to 12 percent.
June 25	Carpenters strike in Northern California ended.
July 3	ICC begins trucking industry deregulation.
July 21-October 23	Motion picture and television industry strike.

CHRONOLOGY--Continued

1980--Continued

July 22	Prime rate reduced to 11 percent.
July 25	Prime rate reduced to 10-3/4 percent.
July 28	Discount rate reduced to 10 percent.
August 5	Prime rate raised to 11 percent.
August 27	Prime rate raised to 11-1/2 percent.
September 5	FHA mortgage interest rate raised from 11-1/2 to 12 percent.
September 12	California morgage rate raised from 13-1/2 percent to 13-3/4 percent.
September 25	Pacific Southwest Airlines (PSA) pilots strike begins.
September 26	Discount rate raised from 10 to 11 percent. Prime rate raised from 12-1/2 percent to 12-3/4 percent.
October 2	Prime raised from 13 to 13-1/2 percent.
October 3	Prime raised to 14 percent.
October 15	AFTA workers return to work.
October 30	Prime raised from 14 to 14-1/2 percent.
November 7	Prime raised from 14-1/2 to 15-1/2 percent.
November 14	PSA pilots strike ends.

1980--Continued

November 17	Prime raised to 16 1/4 percent. Discount rate raised from 11 to 12 percent and surcharge imposed.
November 21	Prime raised to 17 percent.
November 28	Prime raised to 17-3/4 percent.
December 3	Prime raised from 17-3/4 to 18-1/2 percent.
December 5	Discount rate raised from 12 to 13 percent. Prime raised to 19 percent.
December 11	Prime raised to 20 percent.
December 17	Prime raised from 20 to 21 percent.
December 23	Prime lowered from 21 to 20-1/2 percent.

1981

January 1	Minimum wage raised from $3.10 to $3.35.
January 6	Prime lowered to 20 percent.
January 20	American hostages released from Iran.
January 20	Ronald Reagan inaugurated as 40th President of the U.S.
January 28	Deregulation of oil and gas industry announced, effective immediately.
January 29	Prime rate lowered to 19-1/2 percent from 20 percent.

CHRONOLOGY--Continued

	1981--Continued
February 16	General Motors and Ford rebate plans announced.
February 23	Prime rate lowered to 18 percent.
March 2	Prime rate lowered to 18-1/2 percent.
March 10	Prime rate lowered to 18 percent.
March 16	Prime rate lowered to 17-1/2 percent.
March 18	Prime rate lowered to 17 percent.
March 26-June 8	United mine workers strike.
April 13	Prime rate raised to 17-1/2 percent.
April 29	Prime rate raised to 18 percent.
May 4	Prime rate raised to 19 percent.
May 5	Discount rate raised from 13 percent to 14 percent.
May 8	FHA-VA rate up to 15-1/2 percent from 14-1/2 percent.
May 11	Prime rate raised to 19-1/2 percent.
May 22	Prime rate raised to 20 percent.
May 27	OPEC fails to agree on a uniform price schedule. OPEC officials freeze prices at current level.

	1981--Continued
June 5	Dollar reaches highest level in international trading since December 1971.
July 8	Prime rate raised to 20-1/2 percent.
August 3 Jan. 17, 1986	Professional Air Traffic Controller's Organization strike.
August 14	President Reagan signs both the tax- and budget-cut bills into law.
August 18	FHA-VA rate up to 16-1/2 percent from 15-1/2 percent.
September 1	Prime rate lowered to 20 percent.
September 21	Prime rate lowered to 19-1/2 percent.
September 22	Fed surcharge cut to 3 percent from 4 percent.
October	Introduction of All Savers Certificates to stimulate savings.
October 6	Prime rate lowered to 19 percent. Egyptian President Sadat assassinated.
October 13	Prime rate lowered to 18 percent.
October 30	OPEC price set at $34.00/barrel--the Saudi benchmark.
November 1	Passbook interest rate raised 1/2 percent to 5-3/4 percent.

CHRONOLOGY--Continued

1981--Continued

November 2	Fed discount rate cut from 14 percent to 13 percent.
	Prime rate lowered to 17-1/2 percent.
November 10	Prime rate lowered to 17 percent.
November 13	Prime rate lowered to 16-1/2 percent.
	FHA mortgage rate lowered to 15-1/2 percent.
November 16	Prime rate lowered to 16 percent.
November 17	Fed eliminates 2 percent surcharge. Discount rate unaffected.
December 1	Prime rate lowered to 15-1/2 percent.
December 4	Fed discount rate lowered from 13 percent to 12 percent.
December 12	Martial law imposed in Poland.

1982

January 22	Federal funds rate raised to 13-1/2 percent.
January 25	FHA mortgage rate increased from 15-1/2 percent to 16-1/2 percent.
January 27	Federal funds rate raised to 13-3/4 percent.

1982--Continued

February 2	Prime rate raised to 16-1/2 percent by Citibank and Crocker.
February 18	Prime rate increased to 17 percent.
February 24	Prime rate cut back to 16-1/2 percent.
March 1	Ford-UAW Pact ratified. Workers give up two weeks of paid time off and annual 3 percent raises.
March 8	Prime rate lowered to 16 percent.
March 16	Prime rate back up to 16-1/2 percent.
April 1	OPEC cuts production to 17.5 million barrels from current 18.2. Saudi bench mark set at $34/barrels.
April 5	Unemployment rate nationally hits 9.0 percent tying the post-WW II high in May 1975.
April 12	General Motor and United Auto Workers labor agreement approved.
April 26	The U.S. consumer price index declined 0.3 percent--the first decline in 17 years and the largest drop in nearly a quarter of a century.
May 7	U.S. unemployment rate reaches 9.4 percent for a post-WW II record.

CHRONOLOGY--Continued

1982--Continued

May 13	Braniff Air Lines ceases operation.
June 25	Secretary of State Alexander Haig resigns.
June 28	U.S. Supreme Court rules that federally chartered savings and loan associations cannot be prohibited from enforcing due-on-sale clauses in their mortgage contracts.
July 20	Discount rate lowered from 12 percent to 11-1/2 percent. Prime rate lowered from 16-1/2 percent to 16 percent.
July 27	Prime rate lowered to 15-1/2 percent.
August 2	Discount rate lowered to 11 percent. Prime rate lowered to 15 percent.
August 9	Unemployment rate reached 9.8 percent in July--the highest level since a 9.9 percent rate in 1941.
August 16	Discount rate cut from 11 percent to 10-1/2 percent. Most major banks lower their prime lending rates to 14-1/2 percent.
August 18	Dow Jones Industrial Average rose 38.81 points--an all-time record.
August 19	The stock market trading soared to a record 132,690,000 shares.
August 27	Discount rate lowered to 10 percent. Prime rate lowered to 13.5 percent.

1982--Continued

November 23	Prime rate lowered from 12 percent to 11-1/2 percent.
December 13	Discount rate cut to 8-1/2 percent.
December 14	Introduction of money market deposit accounts by banks and S&Ls.

1983

January 5	Super NOW accounts introducted.
January 11	Prime rate lowered to 11 percent.
January 31	Independent truckers strike begins.
February 16	Independent truckers strike end.
February 15	Toyota/GM agreement to build a small car in late 1984.
February 25	Prime rate lowered to 10-1/2 percent.
March 14	OPEC sets $29 per barrel benchmark price and production quota of 17.5 million barrels.
May 2	A 6.5 magnitude earthquake strikes the town of Coalinga.
	An earthquake measuring 6.5 on the Richter scale strikes Coalinga, California.
June 8	The maximum rate on government-backed mortgages was raised from 11-1/2 percent to 12 percent.
June 18	Paul Volcker reappointed as Federal Reserve Board Chairman.

CHRONOLOGY--Continued

1983--Continued

June 24	The Federal Budget deficit totalled a record $29.29 billion in May.
July 7	The maximum rate on government-backed mortgages was raised from 12 percent to 12-1/2 percent.
July 13	Chrysler Corporation announced it will repay the remaining $800 million in federally guaranteed loans by September, seven years before they are due.
July 25	The Washington Public Power Supply System defaulted on $2.25 billion in bonds, creating the largest municipal default in U.S. history.
August 1	California's $1.2 billion offering of revenue-anticipation notes, the State's largest note issue, drew strong investor interest. Notes totalling $700 million, maturing next April and June, were oversubscribed.
August 2	The maximum rate on government backed mortgages rose from 12-1/2 percent to 13-1/2 percent.
August 7-August 28	The Communications Workers of America and two other unions strike AT&T.
August 8	Prime rate raised from 10-1/2 percent to 11 percent by most major banks.

1983--Continued

August 23	The maximum rate on government backed mortgages fell from 13-1/2 percent to 13 percent.
September 1	Soviet Union shoots down Korean Airlines Flight 007, New York to Seoul, near the Soviet Island of Salhalin, just north of Japan.
November 1	Maximum rate on VA & FHA mortgages lowered from 13 percent to 12.5 percent.
November 3-December 21	Strike against Greyhound Lines Inc.
December 1	FHA mortgage interest rates begin to float. VA rates are still pegged.

1984

January 3	Breakup of AT&T becomes effective.
February 2	Contemporaneous reserve accounting is required by Fed for all but the very small deposit-taking institutions.
March 19	Prime rate raised from 11 percent to 11-1/2 percent.
March 20	Maximum rate on VA loans raised from 12-1/2 to 13 percent.
April 4	Prime rate raised from 11-1/2 percent to 12 percent.
April 9	Discount rate raised from 8-1/2 percent to 9 percent; the first change in 3 years.
May 5	Prime rate raised from 12 percent to 12-1/2 percent.

CHRONOLOGY--Continued

1984--Continued

June 26	Prime rate raised from 12-1/2 percent to 13 percent.
September 3 - December 7	Hotel and restaurant strike - San Francisco.
September 15 - October 14	UAW-General Motors strike.
September 28	Prime rate reduced from 13 percent to 12-3/4 percent.
October 16	Prime rate reduced from 12-3/4 percent to 12-1/2 percent.
October 28	Prime rate reduced from 12-1/2 percent to 12 percent.
November 7	Prime rate reduced from 12 percent to 11-3/4 percent.
November 21	Discount rate reduced from 9 percent to 8-1/2 percent.
November 28	Prime rate reduced from 11-3/4 percent to 11-1/4 percent.
December 17	Prime rate reduced from 11-1/4 percent to 10-3/4 percent.
December 24	Discount rate reduced from 8-1/2 percent to 8 percent.

1985

January 1	Federal price controls removed from approximately half of the natural gas produced in the United States.

1985 Continued

January 15	Prime rate reduced from 10-3/4 percent to 10-1/2 percent.
March 9	Home State Savings Bank Cincinnati, Ohio closed.
March 15	Seventy Ohio thrift institutions closed to prevent run on deposits.
March 25	Maximum rate on VA loans raised from 12-1/2 percent to 13 percent.
May 2	Auto manufacturer's initiate low interest loan programs.
May 17- June 14	United Airlines--Air Pilots Association strike.
May 17	Prime rate reduced from 10-1/2 percent to 10 percent.
May 20	Dow Jones Industrials close above 1,300 for the first time.
May 29	Presidents' tax reform plan unveiled.
June 18	Prime rate reduced to 9 1/2 percent from 10 percent.
July 16	Conventional mortgage rates fell to 12.03 percent average--the lowest since October 1979.
July 22- October 16	8,200 steelworkers on strike at Wheeling Pittsburgh--the industry's first major walkout in 26 years.
August 15	GM announces 7.7 percent financing rate program to run through October 2nd.

1985--Continued

August 20	Ford and Chrysler announce incentive plans including low interest loans and rebates on 1985 autos.
September 4	The Farm Credit System seeks a Federal bailout of its $74 billion loan portfolio.
September 15	A State Department of Housing and Community Development regulation requiring equal access on accessible levels of apartment houses with five or more units, for handicapped persons, went into effect.
September 16	Saudi Arabia announces plans to boost oil production and cut prices.
September 22	G-5 agreement to push the dollar lower.
November 7	Dow Jones Industrials close above 1400 for the first time.
December 10	World oil prices fall by more than a dollar after OPEC decides to abandon price supports.
December 12	President Reagan signs the budget deficit bill into law, raising the debt ceiling to $2 trillion and setting deficit targets for each year through 1991.
December 23	President Reagan signs the farm subsidy bill into law, creating a 5-year plan to bail out the Farm Credit System.

1986

January 1	Ceiling on Super NOW accounts was removed.
January 17	United Steel workers leaders agreed to allow rank-and-file members to vote on labor contracts for the first time in the union's history.
January 28	Space shuttle Challenger explosion destroys the spacecraft. Seven crew members died.
February 26	Corazon Aquino takes over Phillipines as the new president.
March 3	Dow Jones Industrials close above 1700 for the first time.
March 4	Yields on 10-year Treasury Notes fall below 8 percent for the first time in eight years.
	Oil prices fall to $12 per barrel.
March 7	The discount rate reduced from 7-1/2 percent to 7 percent, following similar cuts by Germany & Japan.
March 10	Prime rate cut to 9 percent from 9-1/2 percent.
March 21	Dow Jones Industrials close above 1800 for the first time.
	Conservative Chirac appointed as Prime Minister of France.
March 25	U.S. warplanes attacked two Libyan ships and a shoreline missile site after Libyan missiles were fired at U.S. planes in the Gulf of Sidra.

	1986--Continued
April 1	Interest ceilings on passbook saving accounts ended.
	Oil prices fall to under $11 per barrel.
April 14	U.S. air strike against Libya.
April 21	U.S. Dollar reaches a post-WWII low against the Yen at 168.60.
	Discount rate cut from 7 percent to 6-1/2 percent.
	Prime rate cut to 8-1/2 percent from 9 percent.
April 23	Paul Volcker warns of public and private debt buildup as a threat to the economy.
April 25	Soviet nuclear plant at Chernobyl destroyed by fire.
May 12	U.S. dollar falls to 159.95 Yen.
May 22	U.S. proposes 35 percent tariff on Canadian cedar shakes and shingles for roofing, leading to a trade dispute between the U.S. and Canada.
June 1- June 26	CWA strike at AT&T.
July 7	The U.S. Supreme Court ruled that the Gramm-Rudman-Hollings mechanism for across the-board, automatic spending cuts was unconstitutional.

	1986--Continued
July 7	The Dow Jones Industrial average was down a record 61.87 points.
July 10	The Fed lowered the discount rate from 6-1/2% to 6%.
July 11	Prime rate cut to 8 percent from 8-1/2 percent.
July 20	Prime rate cut to 7-1/2 percent.
August 1	United steelworkers strike for the first time since 1959. 44,000 workers were involved.
August 20	The discount rate was reduced from 6 percent to 5-1/2 percent.
August 27	The prime rate was cut to 7-1/2 percent from 8 percent.
August 28	General Motors Corp. introduces a new incentive program to lure consumers by an unprecedented auto loan rate of 2.9 percent.
September 4	Stock market prices soared as the Dow Jones Industrial average jumped 38.38 points to a closing record of 1919.17.
September 5	California bank and corporation tax law was amended to provide for a "Waters-Edge" election. This is an alternate treatment of taxable income.
September 11	The Dow Jones Industrial average plummeted a record 86.61 points, or 4.61 percent to 1792.89.

CHRONOLOGY--Continued

1986--Continued

October 22	President Reagan signs the tax reform bill into law, the first full scale remodification since 1954.
October 27-December 13	Union employees from Kaiser Foundation Hospital, Kaiser Permanente Medical Group, Inc. & Kaiser Foundation Health Plan strike
November 1	The savings bond rate dropped from 7-1/2 percent to 6 percent, affecting new issues only.

1987

January 1	California Legislature approved a measure, effective Jan. 1, 1987, giving school districts the local option to access $1.50 per square foot on new residental construction and $.25 per square foot on new nonresidential construction.
	Fannie Mae raises mortgage ceiling to $153,100 from $133,250.
	OPEC's 7 percent production cut went into effect. U.S. oil prices hit $18 per barrel.
January 8	The Dow Jones Industrial average topped the 2000 mark.
January 19	The Dow Jones Industrial average topped the 2100 mark.

1987--Continued

January 19	The California Trade Office opened in Tokyo.
	The dollar fell to a record low against the yen--150.49 yen to the dollar.
January 22	The Dow Jones Industrial average posted a record 51.60 percent gain to a new high of 2145.67.
February 5	Brazil suspends interest payments on commercial debt.
	The Dow Jones Industrial average topped the 2200 mark.
March 5	Ecuador is rocked by severe earthquake.
March 16	Fannie Mae announces it will not enter home equity loan market.
March 20	The Dow Jones Industrial average topped the 2300 mark.
March 24	U.S. dollar falls to post WW II low--148.5 yen to the dollar.
April 1	The prime rate increased from 7-1/2 to 7-3/4 percent.
April 6	The Dow Jones Industrial average topped the 2400 mark.
April 13	The California Trade Office opened in London.
May 1	The prime rate was increased from 7-3/4 percent to 8 percent.
May 5	Immigration amnesty program in effect.

CHRONOLOGY--Continued

1987 (Continued)

May 7	The Farm Credit System formally asked Congress for a $6 billion loan from the Treasury.
May 15	The prime rate was increased to 8-1/4 percent from 8 percent.
May 17	The U.S.S. Stark was struck by an air-launched Iraqi missile in the Persian Gulf.
June 1	Penalties in place for employers of illegal aliens.
July 17	Dow Jones Industrials close over 2,500 for the first time.
July 22	Kuwaiti tankers placed under U.S. flag for transit through Persian Gulf.
August 10	Dow Jones index closes over 2,600 for 1st time.
August 11	Alan Greenspan sworn in as Chairman of the Federal Reserve Board.
August 17	Dow Jones index closes over 2,700 for 1st time.
September 4	Discount rate raised from 5-1/2 percent to 6 percent.
	Prime rate raised from 8-1/4 percent to 8-3/4 percent.
October 1	Severe earthquake hits Southern California. Epicenter near Whittier.

1987 (Continued)

October 7	Prime rate raised from 8-3/4 percent to 9.25 percent.
October 14	Dow Jones Industrials fall a record 95 points.
October 15	Dow Jones Industrials down 58 points.
October 16	Dow Jones Industrials down a record 108 points.
October 19	Dow Jones Industrial average plunges 508 points, a record 22.6 percent one-day drop. Cumulative four-day decline of 769 points.
October 21	Dow up a record 187 points.
October 22	Prime rate cut to 9 percent from 9.25 percent.
November 2	Dollar falls to 40 year low of 136.95 Yen.
November 5	Prime rate cut to 8/75 percent from 9 percent.
November 23- November 24	Severe earthquakes hit Imperial County.
November 30	Dollar hits postwar lows against Yen and Mark.

1988

February 3	Prime rate cut to 8.5 percent from 8.75 percent.
May 12	Prime rate raised from 8.5 percent to 9 percent.

REFERENCE DATES OF UNITED STATES BUSINESS CYCLES, 1854–1982

Initial Trough		Peak		Terminal Trough		Expansion (months)	Contraction (months)	Total (months)
Dec.	1854	June	1857	Dec.	1858	30	18	48
Dec.	1858	Oct.	1860	June	1861	22	8	30
June	1861	April	1865	Dec.	1867	46	32	78
Dec.	1867	June	1869	Dec.	1870	18	18	36
Dec.	1870	Oct.	1873	March	1879	34	65	99
March	1879	March	1882	May	1885	36	38	74
May	1885	March	1887	April	1888	22	13	35
April	1888	July	1890	May	1891	27	10	37
May	1891	Jan.	1893	June	1894	20	17	37
June	1894	Dec.	1895	June	1897	18	18	36
June	1897	June	1899	Dec.	1900	24	18	42
Dec.	1900	Sept.	1902	Aug.	1904	21	23	44
Aug.	1904	May	1907	June	1908	33	13	46
June	1908	Jan.	1910	Jan.	1912	19	24	43
Jan.	1912	Jan.	1913	Dec.	1914	12	23	35
Dec	1914	Aug.	1918	March	1919	44	7	51
March	1919	Jan.	1920	July	1921	10	18	28
July	1921	May	1923	July	1924	22	14	36
July	1924	Oct.	1926	Nov.	1927	27	13	40
Nov.	1927	Aug.	1929	March	1933	21	43	64
March	1933	May	1937	June	1938	50	13	63
June	1938	Feb.	1945	Oct.	1945	80	8	88
Oct.	1945	Nov.	1948	Oct.	1949	37	11	48
Oct.	1949	July	1953	May	1954	45	10	55
May	1954	Aug.	1957	April	1958	39	8	47
April	1958	April	1960	Feb.	1961	24	10	34
Feb.	1961	Dec.	1969	Nov.	1970	106	11	117
Nov.	1970	Nov.	1973	March	1975	36	16	52
March	1975	Jan.	1980	July	1980	58	6	64
July	1980	July	1981	Nov.	1982	12	16	28

SOURCES OF STATISTICAL SERIES

Employment Development Department Employment Data and Research	Civilian Employment Unemployment Unemployment rate Nonagricultural employment Manufacturing employment Hours and earnings Nonagricultural placements Initial claims for unemployment insurance Insured unemployment Index for production worker hours
Department of Industrial Relations Division of Labor Statistics and Research	California consumer price index
Department of Finance	Personal income Wages and salaries Index of leading indicators
Department of Motor Vehicles	New auto registrations
State Board of Equalization	Taxable sales
U.S. Department of Commerce	Retail sales Housing units authorized Valuation of nonresidential construction
U.S. Bureau of Labor Statistics	Consumer price indices
U.S. Department of Defense	Prime defense contracts
U.S. Department of Energy	Electricity production
California Redwood Association	Lumber production
Conservation Committee of California Oil Producers	Petroleum production
U.S. Bureau of Mines	Cement production
California Secretary of State	New business incorporations
Coldwell Banker	Vacancy Rates
California Association of Realtors	Existing family homes data

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INTRODUCTION

California Economic Indicators is a bimonthly summary of economic trends and data relating to the State of California. Generally patterned after the U.S. Bureau of Economic Analysis publication *Business Conditions Digest*, the report contains regular features in each issue.

Developments in California over the most recent months are reviewed in a brief text, and then summarized in current data tables which show changes over the previous year. Charts containing monthly and quarterly series from 1979 are included to facilitate the review of current developments, and to appraise the significance of the developments on the State's economy. Much of the data in the report has been seasonally adjusted by the source agency or by the Department of Finance.

Reference dates for U.S business cycles, as determined by the National Bureau of Economic Research, are also shown. Finally, sources are cited on the inside back cover to assist readers in obtaining any additional information on the statistical series published.

The Department of Finance welcomes suggestions on additions or changes which would make the *Indicators* a more useful publication. Correspondence should be addressed to the State of California, Department of Finance, Financial Research Unit, 8th Floor, 915 L Street, Sacramento, CA 95814.

Subscriptions are $8.00 per year, and begin with the January issue. The subscription price will be prorated throughout the year based upon the beginning subscription date, as shown below:

Beginning Subscription Date	Prorated Amount Due
January	$8.00
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May	5.40
July	4.05
September	2.70
November	1.35

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P.O. Box 151
Sacramento, CA 95801

Please make checks payable to the California Department of Finance.

REVIEW OF ECONOMIC DEVELOPMENTS

California cruised into summer with the economy showing steady, moderate growth. Nonagricultural payroll employment increased by 22,000 in June, a slightly stronger gain than in the previous three months, but well below the rapid advance of last fall and winter, when payrolls were growing more than 55,000 per month.

In part, the recent slowing of payroll growth may reflect the effects of seasonal movements, or more accurately, the lack thereof. The mild, dry winter did not produce the normal downturn in such outdoor activities as construction, mining and lumber. Hence, construction, for example, showed very strong seasonally adjusted growth during the winter months. But, absent the winter dropoff, the spring pickup in building activity was less than normal. As a result, seasonally adjusted construction payrolls were essentially flat during April, May and June.

However, services and retail trade, which should be relatively unaffected by the weather, have also exhibited lackluster growth in recent months. Manufacturing, on the other hand, continues to show satisfactory gains, adding nearly 7,000 jobs in June. Mining activity is also on a solid and sustained upswing, with job growth of more than 8 percent over the past year.

Predictably, the State's jobless rate fell sharply in June, following the May jump to 6.3 percent. The June rate of 5.6 percent is probably close to the true underlying rate. The California jobless rate has historically exhibited substantial month-to-month volatility, and the recent cut in the household survey sample size will only serve to exacerbate the problem.

In the past, a three or four month average of the jobless rate was required to obtain a reasonably accurate reading of the underlying unemployment situation. Now, it may take six months or more to determine whether there has been an underlying change in the State's jobless rate. As is the case nationally, the payroll employment figures provide a far more reliable measure of labor market conditions. The sample is far larger, and the payroll tax system provides the means to ensure that the sample is accurately reflecting movements in the number of jobs.

California consumers maintained spending at a vigorous pace during the first quarter of 1988. Taxable retail sales, which exclude groceries and prescription medicines, jumped 10.2 percent from the year earlier level. Total taxable transactions, which add some services and sales among businesses, were up 9.8 percent.

The 1988 comparison was flattered somewhat by the early Easter holiday, the mild winter and tax related movements in car sales in late 1986 and early 1987. Even so, the gains were impressive, far outpacing the 4 percent rise in consumer prices.

Leading the way was the automotive group, with dollar sales up 17 percent. Both new and used car dealers posted gains in the region of 20 percent, against fairly weak sales in early 1987.

The building materials group also posted an impressive gain of 13 percent, led by a 25 percent jump in farm implement dealer sales and a 21 percent increase in lumber and building materials sales. Mild weather and the continuing improvement in the farm economy were major elements in these gains.

Despite the early Easter, apparel stores were up only 3.6 percent, but the general merchandise group gained 12 percent, including a 13 percent increase in department store sales and a 30 percent jump in other general merchandise stores. Specialty store sales increased 10 percent, including a gain in sporting goods of almost 29 percent. The food, eating and drinking group was up 1.1 percent.

TAXABLE SALES
First Quarter, 1988
(Millions of Dollars)

	Amount	% Change Year Ago
Apparel Stores	1,731	3.6
Gen. Merchandise	5,790	12.1
Specialty Stores	4,436	10.2
Food, Eating and Drinking Group	8,426	1.1
Furniture, Farm, Building Mat'ls	5,473	13.0
Automotive Group	10,953	17.0
Total Retail	36,809	10.2
Taxable Services	2,681	7.3
All Other	17,853	9.2
Total	57,343	9.8

Despite concerns over the drought, the weak dollar and possible upward pressure on wages, the rise in consumer prices remains moderate. The California consumer price index was up only 0.1 percent in June, and 4.6 percent over the mid-1987 reading. Nationally, prices rose 0.4 percent in June and were 4 percent above the year earlier level.

The Los Angeles area index was unchanged on the month, and food prices declined before seasonal adjustment. The San Francisco area index was up 0.3 percent, and the unadjusted food price increase of 0.5 percent matched the national figure.

The Midwestern drought will probably place some upward pressure on food prices later this year and in 1989, but the will probably have minimal effect on overall inflation.

Raw agricultural commodities account for a relatively small and shrinking share of the total food dollar. Moreover, initially, rising grain prices has encouraged sale of cattle and hogs, helping to depress meat prices. The Federal government has been releasing surplus stocks, and in world markets, large European surpluses and increased southern hemisphere crops will mitigate the North American shortages.

Uncertainty over the ultimate effect of the drought on commodity prices can be seen in the volatile behavior of the grain and oilseed futures markets. Most observers expect the drought to add no more than one half percentage point to consumer prices--mainly in 1989--assuming a return to more normal weather patterns next year.

Nonetheless, concerns over inflation have prompted the Federal Reserve to maintain upward pressure on interest rates, resulting in a 1/2 percent increase, to 9-1/2 percent, in the bank prime rate on July 14.

The rise in interest rates, underway since late spring, has thus far had little effect on the housing market. The California Association of Realtors reported May sales at a 614,000 unit annual rate, the highest in 17 months and 14 percent above the year ago pace. House prices were up 13 percent over the year.

April homebuilding activity, at a 244,000 unit annual rate, was also quite robust. Although down 11 percent from the year earlier pace, April volume was well above the 230,000 unit first quarter average.

Coldwell Banker reports slow, steady improvement in the commercial office market, especially in suburban and smaller downtown markets in California. Downtown Los Angeles and San Francisco both experienced slight upticks between March and June, but suburban vacancy rates were down considerably in both areas. Downtown Sacramento, at 6.6 percent, has the third lowest rate in the country. Sacramento's 3.3 percentage March to June decline in office vacancy was the second largest drop among the areas surveyed by Coldwell Banker.

GROSS STATE PRODUCT

The U.S. Department of Commerce has released figures on gross state product for each of the states for the period from 1963 through 1986. These are the first "official" estimates of gross state product to be issued. Various estimates of gross state product have been available up to now, but there has been no set methodology, although most have utilized ratios of personal income to GNP to arrive at regional output.

The estimates, prepared by the Department's Bureau of Economic Analysis (BEA), build on the state personal income series, and are thus estimated on an industry basis. The personal income data provide earnings--wages, benefits and proprietors' income--by industry.

The gross state product figures add estimates of capital charges--mainly interest and depreciation--and indirect business taxes to the earnings figures. Indirect business taxes include sales, property and excise taxes, but exclude income taxes. The estimates of capital charges and indirect business taxes for each state were allocated from national figures based upon the industrial mix in the state. The gross product figures exclude transfer payments--social security and other benefits--which are included in personal income.

Gross national product figures are customarily presented by type of activity--consumption, investment, government, net exports--but the regional figures are on an industry or gross product originating basis. The BEA has also estimated gross state product for the United States, a figure which excludes that portion of gross national product arising from foreign profits and net interest paid to foreigners.

The GSP data are presented in current and constant (1982) dollars. However, the BEA has not developed regional price indexes. Instead, national deflators for each industry have been used. The overall deflator for each state varies, not because of regional variations in inflation, but because of the differing industrial mix in each state. BEA hopes to develop regional price indexes in the future.

The data provide a valuable insights as to the size and structure of each state's economy. The long time span provides a view of changes in economic structure over the past 24 years.

California GSP. In 1986, California's gross state product was estimated at $533.6 billion, accounting for more than one-eighth (12.74 percent, to be exact) of the nation's GSP. Real GSP of $464.6 billion accounted for 12.62 percent of the nation. The slightly smaller share in real terms results from a higher rate of inflation within California's industrial mix than that of the nation as a whole.

Real growth in California in 1986 was 4.6 percent, nearly half again the national rate of 3.2 percent. As the first graph on page 7 shows, California growth has outpaced the U.S. in most years. However, the timing of business cycles nationally and in California may differ, as was the case in 1980 and 1981 when the State and national economies were moving in opposite directions.

The table on pages 8 and 9 shows 1986 real GSP by industry, 1985-86 growth rates, each industry's share of California's economy, the change in share over time and California's share of the nation for total GSP and each industry. Overall, California's share of the national economy has increased from 11.28 percent in 1963 to 12.62 percent in 1986. California's manufacturing share has increased by a much larger percentage, from 9 percent or less in the late 1960s and early 1970s, to 11.89 percent in 1986.

With California's 12.62 percent share of the nation's total economy as a benchmark, it is possible to note the difference in structure between the national and regional economies. Although California manufacturing has gained substantially in recent years, at 11.86 percent, it is still slightly underrepresented in the state's economy. Within manufacturing, California has an above average share of durable goods (13.51 percent), but the nondurables share of 8.94 percent is well below the State's overall position.

Among individual manufacturing industries, California's air, space and other transportation equipment industry accounts for more than 29 percent of the national sector, while electric and electronic equipment is nearly 22 percent of the national industry. At the other end of the spectrum, California has no tobacco industry and accounts for only 2 percent of textile Mill production.

As to other goods producing sectors, California's 12.06 percent of the national construction sector is roughly in line with the State's overall position, but in relative terms, the State's mining sector is only half as large as the overall economy. Although California is the nation's leading agricultural State, farms account for a below average 10.42 percent of the national industry.

Among service producing activities, the financial sector, at 13.47 percent, has an above average share. Banking is below average, but other credit institutions, mainly savings and loans, account for a far above average 21 percent of the national sector. California's services sector accounts for 14.77 percent of the national sector, with the motion picture industry (57 percent) recreation (19 percent) and business services (16.6 percent) accounting for notably large shares of the nation.

California's government sector is exactly in line with the state's overall share of the nation, accounting for 12.6 percent of all government in the U.S.

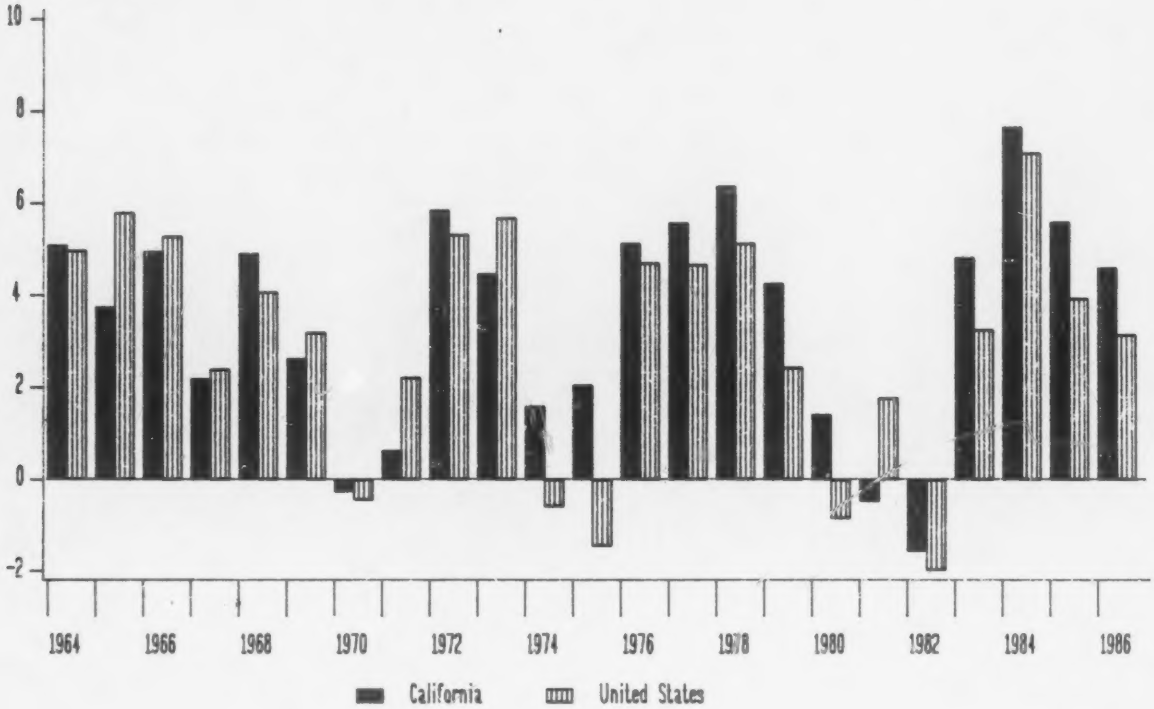
Viewing the structure of the State's economy directly turns up some interesting and surprising facts--and requires a bit of explanation. To quell a long-standing debate, real estate is the largest industry in California (and in the nation as well). In 1986, real estate was a $55.4 billion industry in real terms, accounting for almost 12 percent of the State's real GSP.

However, real estate accounts only about 1 percent of total earnings in personal income, ranking well down the list as a source of income. The difference lies in the fact that gross product is measured before deducting certain "expenses", namely depreciation, property taxes and net interest paid. All of these are substantial in real estate, which includes not only the familiar sales organizations, but also rental houses, offices, shopping centers and warehouses, as well as the imputed rental value of owner occupied housing. Little wonder real estate is the largest industry in the State.

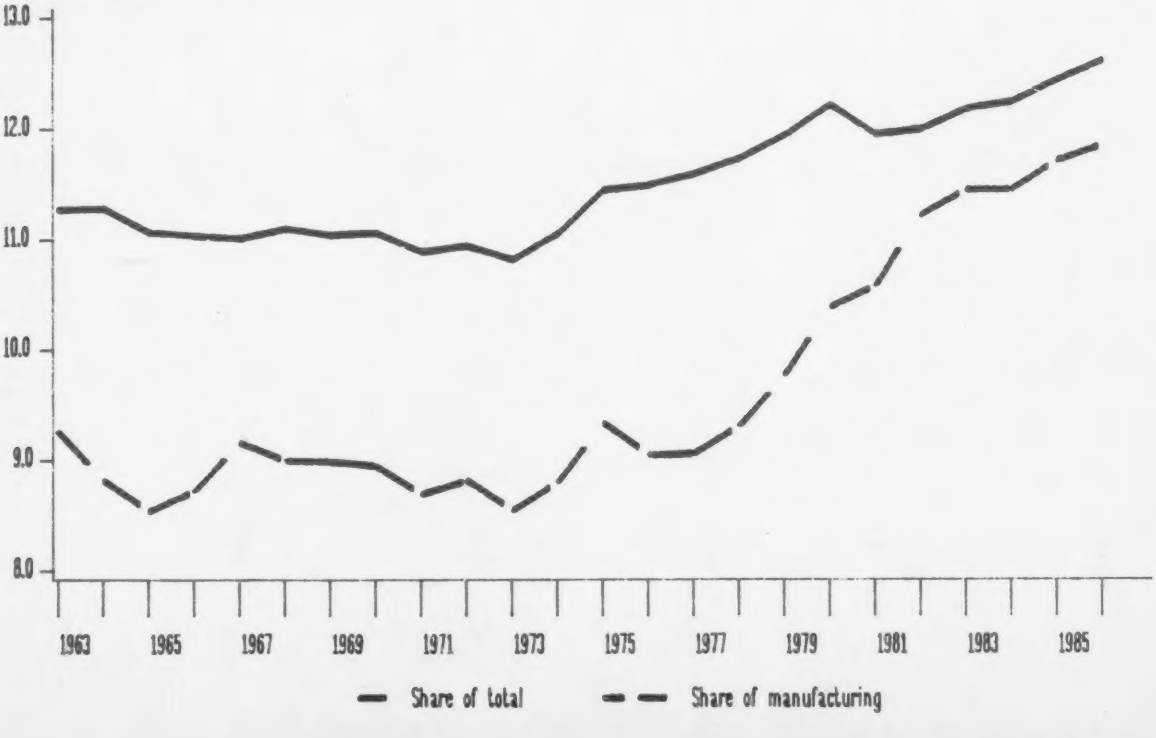
Apart from real estate, which is something of an anomaly of national income accounting, the GSP figures will not settle the debate over which is the State's leading industry, since so much depends on how an industry is defined. Should agriculture include food processing and farm chemicals? Or should most chemicals be part of petroleum? The aerospace industry is a California invention, a group of seven industries and subindustries which are heavily represented in the State's economy.

Nonetheless, the GSP figures reveal much about the structure of the State's economy and how it has changed over time. Manufacturing accounts for 20.7 percent of the State's gross product, and far from diminishing in importance, manufacturing's share has increased by 3.2 percentage points since 1963 and more than 1.8 percentage points since 1981. The major gains have been in machinery except electric (which includes computers) and electronic equipment.

Real Gross Product Growth Rates
(Percent)



California's Share of U.S. Real GSP
(Percent)



CALIFORNIA GROSS STATE PRODUCT
(Millions of 1982 Dollars)

	1986	% Change 1985-86	Sector Share of CA Total	Change in Share 1963-86	Change in Share 1981-86	California Share of US, 1986
TOTAL, ALL SECTORS	464,550	4.6	100.00%			12.62%
PRIVATE INDUSTRIES	415,016	4.9	89.34%	4.81%	1.64%	12.62%
AGRICULTURE, FOREST, FISHERIES	11,964	1.6	2.58%	-0.64%	-0.29%	11.92%
FARMS	8,830	0.1	1.90%	-0.71%	-0.29%	10.42%
AG. SERVICES, FOREST, FISH.	3,133	6.0	0.67%	0.08%	-0.00%	19.99%
MINING	7,404	-9.6	1.59%	-1.93%	-0.63%	6.27%
METAL MINING	102	17.2	0.02%	-0.00%	-0.00%	4.19%
COAL MINING	0		0.00%			0.00%
OIL AND GAS EXTRACTION	6,755	-10.3	1.45%	-1.90%	-0.62%	7.13%
NONMETALLIC MINERALS	524	-5.6	0.11%	-0.03%	-0.02%	9.85%
CONSTRUCTION	20,285	5.6	4.37%	-6.73%	-0.21%	12.06%
MANUFACTURING	96,290	4.0	20.73%	3.20%	1.81%	11.86%
DURABLE GOODS	69,962	4.5	15.06%	3.50%	2.40%	13.51%
LUMBER AND WOOD PRODUCTS	2,073	8.8	0.45%	-0.17%	-0.04%	9.60%
FURNITURE AND FIXTURES	1,406	-4.0	0.30%	0.02%	-0.04%	12.38%
STONE, CLAY, AND GLASS	2,117	4.3	0.46%	-0.24%	-0.04%	9.55%
PRIMARY METAL INDUSTRIES	1,899	8.1	0.41%	-0.41%	-0.21%	5.42%
FABRICATED METAL PRODUCTS	5,323	-4.3	1.15%	-0.06%	-0.20%	9.72%
MACHINERY, EXCEPT ELECTRIC	17,743	11.5	3.82%	2.65%	1.57%	11.77%
ELECTRIC, ELECTRONIC EQUIP.	18,415	0.8	3.96%	2.46%	0.88%	21.67%
MOTOR VEHICLES	1,390	-13.0	0.30%	-0.16%	-0.08%	3.13%
AIR, SPACE, OTHER TRANS. EQUIP	14,117	7.6	3.04%	-1.16%	0.50%	29.08%
INSTRUMENTS	3,790	6.5	0.82%	0.48%	0.10%	12.76%
MISC MANUFACTURING	1,687	-6.0	0.36%	0.09%	-0.04%	11.76%
NONDURABLE GOODS	26,328	2.8	5.67%	-0.30%	-0.59%	8.94%
FOOD AND KINDRED	7,349	-1.5	1.58%	-0.35%	-0.29%	11.75%
TOBACCO	0		0.00%			0.00%
TEXTILE MILL PRODUCTS	395	12.9	0.09%	0.04%	0.01%	2.33%
APPAREL	2,192	8.5	0.47%	0.15%	-0.03%	11.25%
PAPER	1,773	3.2	0.38%	0.04%	0.01%	5.67%
PRINTING AND PUBLISHING	4,269	1.0	0.92%	-0.02%	-0.12%	10.09%
CHEMICALS	3,448	5.1	0.74%	0.20%	-0.02%	5.80%
PETROLEUM	4,810	5.5	1.04%	-0.49%	-0.12%	18.22%
RUBBER AND PLASTICS	1,975	5.7	0.43%	0.14%	-0.01%	7.59%
LEATHER	117	-14.6	0.03%	-0.01%	-0.03%	3.88%

CALIFORNIA GROSS STATE PRODUCT
(Millions of 1982 Dollars)

	1986	% Change 1985-86	Sector Share of CA Total	Change in Share		California Share of US, 1986
				1963-86	1981-86	
TRANS, COMM, AND UTIL.	35,236	2.8	7.58%	0.98%	-0.46%	10.73%
TRANSPORTATION	13,838	6.4	2.98%	-0.40%	-0.21%	10.71%
RAILROADS	1,247	0.3	0.27%	-0.42%	-0.08%	6.32%
INTERURBAN PASSENGER TRANSIT	623	1.5	0.13%	-0.25%	-0.04%	9.83%
TRUCKING AND WAREHOUSING	5,011	4.7	1.08%	-0.09%	-0.09%	9.25%
WATER TRANSPORTATION	1,183	8.9	0.25%	-0.14%	0.03%	15.26%
TRANSPORTATION BY AIR	3,515	11.8	0.76%	0.27%	-0.14%	13.66%
PIPELINES	207	8.4	0.04%	0.03%	0.01%	4.04%
TRANSPORTATION SERVICES	2,051	5.1	0.44%	0.20%	0.09%	19.82%
COMMUNICATION	11,721	0.2	2.52%	1.10%	-0.29%	12.30%
ELECTRIC, GAS, AND SANITARY	9,677	1.3	2.08%	0.28%	0.04%	9.32%
WHOLESALE TRADE	37,115	7.7	7.99%	2.44%	1.07%	13.14%
RETAIL TRADE	49,030	6.0	10.55%	0.92%	0.43%	13.54%
FINANCE, INS., AND REAL EST.	74,259	7.4	15.99%	2.22%	-0.54%	13.47%
BANKING	6,697	0.6	1.44%	-0.05%	-0.38%	10.63%
OTHER CREDIT AGENCIES	1,627	15.3	0.35%	0.26%	0.09%	21.00%
HOLDING COS.	3,193	15.6	0.69%	0.28%	0.17%	11.32%
INSURANCE CARRIERS	4,367	14.9	0.94%	0.14%	0.10%	11.59%
INSURANCE AGENTS, BROKERS	2,945	13.9	0.63%	0.03%	0.05%	13.66%
REAL ESTATE	55,431	6.8	11.93%	1.56%	-0.58%	14.10%
SERVICES	83,433	4.7	17.96%	4.35%	0.45%	14.77%
HOTELS	2,564	-0.7	0.55%	-0.21%	-0.10%	11.18%
PERSONAL SERVICES	3,251	4.0	0.70%	-0.41%	-0.01%	12.71%
BUSINESS SERVICES	21,550	7.6	4.64%	2.52%	0.74%	16.60%
AUTO REPAIR	4,728	3.1	1.02%	0.30%	0.00%	15.72%
MISCELLANEOUS REPAIR	1,779	-8.0	0.38%	0.03%	-0.05%	17.51%
MOTION PICTURES	3,958	3.6	0.85%	0.16%	-0.00%	57.19%
RECREATION	3,439	5.1	0.74%	0.14%	0.11%	18.87%
HEALTH SERVICES	21,537	5.1	4.64%	1.43%	0.02%	12.97%
LEGAL SERVICES	5,204	7.5	1.12%	0.17%	0.06%	14.11%
EDUCATIONAL SERVICES	2,103	-9.0	0.45%	0.00%	-0.07%	9.85%
SOCIAL SERVICES/MEMBERSHIP	3,926	4.2	0.85%	0.04%	-0.12%	11.49%
MISC PROFESSIONAL	8,123	5.9	1.75%	0.53%	-0.14%	15.12%
PRIVATE HOUSEHOLDS	1,269	3.6	0.27%	-0.36%	0.01%	14.06%
GOVERNMENT	49,534	2.1	10.66%	-4.81%	-1.64%	12.60%
FEDERAL CIVILIAN	9,073	0.3	1.95%	-1.73%	-0.30%	10.54%
FEDERAL MILITARY	7,944	0.5	1.71%	-1.54%	-0.19%	16.26%
STATE AND LOCAL	32,517	3.0	7.00%	-1.54%	-1.14%	12.60%

Air, space and other transportation equipment, which includes most defense contracting, has declined in importance since 1963, although the industry's share has increased by a half a percentage point since 1981, reflecting the recent defense buildup. But despite increased defense spending in the 1980s, the gross state product figures suggest that the State has diversified away from defense contracting, a fact which will cushion the effect of any reduction in military and space outlays which may lie ahead.

Construction, which has performed remarkably well during this economic expansion, has nonetheless lost considerable share over the past 24 years, dropping 6.7 percentage points since 1963. Mining's relative importance has been cut by more than half, losing 1.9 percentage points over the 24 year span.

Government's share of the state's economy has dropped by 4.8 percentage points since 1963, and 1.6 percentage points since 1981. It now accounts for 10.7 percent of the state's economy.

Private services have gained in importance, reflecting a national trend. The services sector is up 4.35 percentage points since 1963, with major gains in business services (up 2.5 percentage points) and health care (up 1.4 points). Business services includes computer software and systems, which wage and employment data suggest are among the fastest growing industries in the State.

Finance has gained more than 2 percentage points since 1963, but is down a half a point from 1981. Banking's share is down slightly on both a 5 and 24 year comparison, with other credit agencies (savings and loans and credit unions) showing gains. Real estate has dropped in relative importance over the past 5 years, but is up more than 1.5 percentage points over 1963.

* * *

A summary of gross state product figures for each of the states is published in the May 1988 issue of the *Survey of Current Business* (U.S. Department of Commerce, Bureau of Economic Analysis). Complete GSP data are available on diskette from BEA. See the May *Survey* for details.

The California Department of Finance has extracted the detailed California statistics from the BEA diskettes, and will provide hard copy on request.

Address inquires to:

Economic Research Unit
California Department of Finance
8th Floor
915 "L" Street
Sacramento, CA 95814

EMPLOYMENT
(Seasonally Adjusted)

	1988				1987	Percent Change Jun 1987- Jun 1988
	Jun	May	Apr	Mar	Jun	
Civilian Employment (000)	13,315	13,251	13,362	13,272	12,970	2.7
Unemployment (000)	790	891	715	704	767	3.0
Unemployment rate	5.6	6.3	5.1	5.0	5.6	--
Nonagricultural wage and salary employment [a] (000)	12,123.3	12,101.3	12,085.9	12,068.2	11,742.0	3.2
Mining	43.6	43.5	43.3	42.6	40.3	8.2
Construction	624.4	626.2	624.2	619.0	589.4	5.9
Manufacturing	2,143.9	2,137.5	2,139.9	2,139.9	2,117.1	1.3
Aerospace [b]	n.a.	757.8	758.6	760.6	752.1	--
Transportation and Public utilities	582.6	580.7	579.4	582.7	583.5	-0.2
Trade	2,932.1	2,931.1	2,933.1	2,921.3	2,806.0	4.5
Finance, insurance and real estate	804.3	803.8	804.5	806.1	811.2	0.9
Services	3,040.9	3,029.9	3,022.1	3,018.7	2,916.5	4.3
Government	1,951.5	1,948.6	1,939.4	1,937.8	1,878.1	3.9
Federal	351.1	351.0	350.5	352.2	347.8	0.9
State & local	1,600.4	1,597.5	1,588.9	1,585.6	1,530.3	4.6

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[a] Interim series of wage and salary workers. This unofficial series is adjusted for the latest tabulations of unemployment insurance coverage and approximates what the official data will be when estimates are updated at year end.

[b] The Interim Series does not give a breakdown for aerospace employment. These values are from the EDD official employment series, and are not seasonally adjusted.

n.a. Not available

HOURS AND EARNINGS IN MANUFACTURING

	1988				1987	Percent Change May 1987- May 1988
	May	Apr	Mar	Feb	May	
Average weekly hours [c]	40.6	40.7	41.1	40.5	40.4	0.5
Average weekly earnings	$437.67	$436.71	$441.83	$436.19	$431.47	1.4
Average hourly earnings	$10.78	$10.73	$10.75	$10.77	$10.68	0.9

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[c] Not seasonally adjusted.

TRADE
(Seasonally Adjusted)

	1988				1987	Percent Change
	May	Apr	Mar	Feb	May	May 1987–May 1988
Retail sales (millions)	n.a.	15,877	15,803	15,754	14,868	--
New auto registrations (number)	124,386	125,378	128,517	146,091	113,709	9.4

CONSUMER PRICE INDEX
(1982–84 = 100)

	1988				1987	Percent Change
	May	Apr	Mar	Feb	May	May 1987–May 1988
All Urban Series						
California Average	121.6	120.6	120.4	119.4	116.5	4.3
San Francisco	119.7	118.7	119.1	117.9	115.0	4.1
Los Angeles	122.0	121.1	120.6	119.7	116.8	4.5
Wage Earner and Clerical Worker Series						
California Average	118.7	117.8	117.4	116.5	113.9	4.2
San Francisco	118.7	117.8	117.9	117.0	113.9	4.2
Los Angeles	118.9	118.0	117.5	116.6	114.1	4.2

PRODUCTION

	1988				Percent Change
	May	Apr	Mar	Feb	May 1987–May 1988
Petroleum (000 barrels daily)	n.a.	n.a.	1,069	1,070	--
Portland cement (000 short tons)	867.0	797.5	925.2	797.4	2.9
Selected redwood and whitewood mill production (mil. board feet)	n.a.	n.a.	n.a.	n.a.	--

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n.a. Not available

CONSTRUCTION

	1988				1987	Percent Change
	Apr	Mar	Feb	Jan	Apr	Apr 1987–Apr 1988
Private Residential Housing Units Authorized (000) [a]	244.2	234.7	234.6	203.1	276.0	-11.5
Single Units	138.5	149.9	140.2	140.0	137.3	0.9
Multiple Units	105.6	84.8	94.4	63.1	138.7	-23.9
Residential Building Authorized Valuation (millions) [b]	$1,954	$1,840	$1,689	$1,575	$1,928	1.3
Nonresidential Building Authorized Valuation (millions) [b]	$916	$1,135	$881	$972	$954	-4.0
Nonresidential Building Authorized Valuation (millions) [c]	$989	$1,098	$820	$777	$1,036	-4.5
Commercial	$389	$522	$409	$298	$459	-15.3
Industrial	$108	$122	$85	$100	$156	-30.8
Other	$142	$163	$96	$121	$117	21.4
Alterations & Additions	$350	$290	$229	$257	$304	15.1

---

[a] Seasonally adjusted annual rate.
[b] Seasonally adjusted.
[c] Not adjusted for seasonal variation.
Totals may not add due to rounding.

VACANCY RATES FOR JUNE 1988
(Percent)

	Office			
	Total	Downtown	Suburban	Industrial
Northern & Central California				8.7
Oakland - East Bay	23.0	16.6	24.8	
Sacramento	16.9	6.6	20.2	
San Francisco	16.4	14.3	19.2	
San Jose	19.9	23.5	19.1	
Southern California				6.2
Los Angeles	15.5	14.6	15.7	
Orange County	22.1	n.a.	n.a.	
San Diego	22.1	10.9	26.8	
National Average	19	16.3	21.5	5

MEDIAN PRICE OF EXISTING SINGLE-FAMILY HOMES

1987	Jan	$124,578	Jul	$142,224	1988	Jan	$147,281
	Feb	$129,376	Aug	$145,261		Feb	$147,665
	Mar	$134,954	Sep	$147,370		Mar	$151,725
	Apr	$137,925	Oct	$143,843		Apr	$157,033
	May	$141,140	Nov	$142,310		May	$160,073
	Jun	$140,620	Dec	$145,224			

LEADING INDICATORS

		Manufacturing		
		Overtime Hours	Average Weekly Hours	New Business Incorporations
1987	Jul	3.6	40.4	5,240
	Aug	3.7	40.4	4,932
	Sep	3.6	39.7	5,209
	Oct	3.8	40.4	4,634
	Nov	3.8	40.6	4,469
	Dec	3.7	40.3	4,481
1988	Jan	3.8	40.8	4,905
	Feb	3.7	40.7	5,652
	Mar	3.9	41.0	5,334
	Apr	3.9	41.0	4,522
	May	3.8	40.7	4,968

		Unemployment Insurance Initial Claims	Housing Unit Authorizations (Thousands)
1987	Jul	52,058	258.8
	Aug	50,721	232.7
	Sep	49,791	225.4
	Oct	48,948	210.9
	Nov	52,096	225.6
	Dec	51,106	212.1
1988	Jan	51,351	203.1
	Feb	51,401	234.6
	Mar	51,587	234.7
	Apr	52,248	244.2
	May	53,092	n.a.

Note: All data seasonally adjusted.

n.a. Not Available

COINCIDENT INDICATORS

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Thousands)	Insured Unemployment Average Weeks Claimed (Thousands)
1987	Jul	11,679	2,107	5.5	320
	Aug	11,708	2,105	5.4	331
	Sep	11,765	2,103	5.7	325
	Oct	11,774	2,119	5.8	293
	Nov	11,820	2,121	5.3	318
	Dec	11,907	2,132	5.2	318
1988	Jan	11,984	2,139	5.1	321
	Feb	12,053	2,146	5.4	310
	Mar	12,068	2,140	5.0	334
	Apr	12,086	2,140	5.1	311
	May	12,101	2,138	6.3	333
	June	12,123	2,144	5.6	n.a.

		Personal Income (Millions)	Wages & Salaries from Mining, Construction & Manufacturing (Millions)	Taxable Sales (Millions)
1987	Qtr I	$481,639	$73,256	$55,831
	Qtr II	$496,636	$76,149	$57,668
	Qtr III	$494,223	$75,982	$58,820
	Qtr IV	$516,529	$79,605	$59,330
1988	Qtr I	$526,038	$80,051	$61,284

OTHER INDICATORS

		DOD Prime Contracts (Millions)			Electricity Production (Million Kwh)
1986	Qtr I	6,849	1987	Sep	10,863
	Qtr II	5,697		Oct	11,486
	Qtr III	7,361		Nov	10,963
	Qtr IV	3,901		Dec	10,940
			1988	Jan	10,271
1987	Qtr I	5,767		Feb	11,514
	Qtr II	5,886		Mar	10,754
	Qtr III	8,795		Apr	10,425

Note: All data seasonally adjusted

ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are production worker man-hours, insured unemployment, manufacturing employment, and taxable sales. These series are discussed in the technical note below.

TECHNICAL NOTE

Whenever appropriate, data used in the charts have been seasonally adjusted. The series on average weekly hours of production workers in manufacturing and production worker man-hours are adjusted by the Bureau of Labor Statistics method. Other series have been adjusted by the Bureau of the Census (Shiskin) method. Persons interested in a detailed description of these methods are referred to the U.S. Department of Labor, Bureau of Labor Statistics, the BLS Seasonal Factor Method (1964); and the U.S. Department of Commerce, Bureau of the Census. Technical Paper No. 15, The X-11 Variant of the Census Method II. Seasonal Adjustment Program (November 1965).

Under the Census Bureau seasonal method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

Production Worker Man-Hours

This series is a substitute for the man-hours in nonagricultural establishments series used in the Census Bureau's publication, Business Cycle Developments. It is the cross product of average weekly hours of production workers in manufacturing and manufacturing employment. Workweek data are a leading indicator. Manufacturing employment appears to be a coincident indicator, although at times it seems to lead economic downturns. Because of this, the man-hour series has been classified in the present publication as a leading indicator.

Insured Unemployment

The series on total insured unemployment is being used rather than the insured unemployment rate included in the Census Bureau's indicator list. The insured rate is available only with a lag of nine months, which precludes its usefulness as a current indicator.

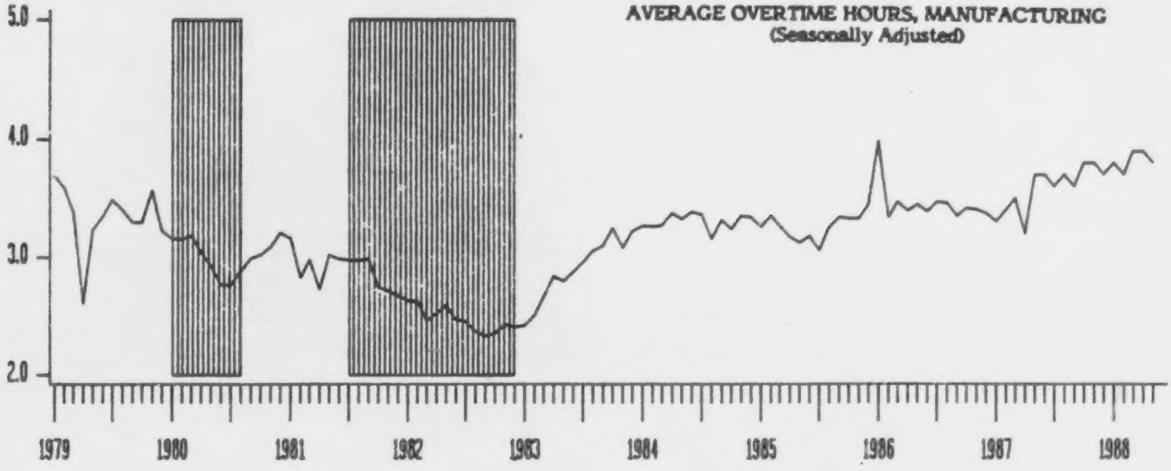
Manufacturing Employment

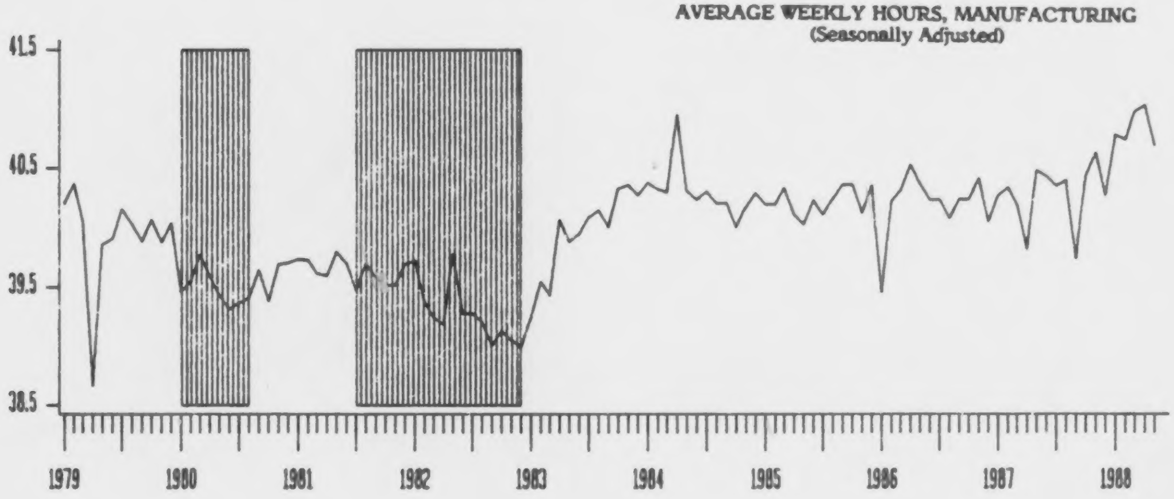
This series is also an addition to the Census Bureau indicator list. It was used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

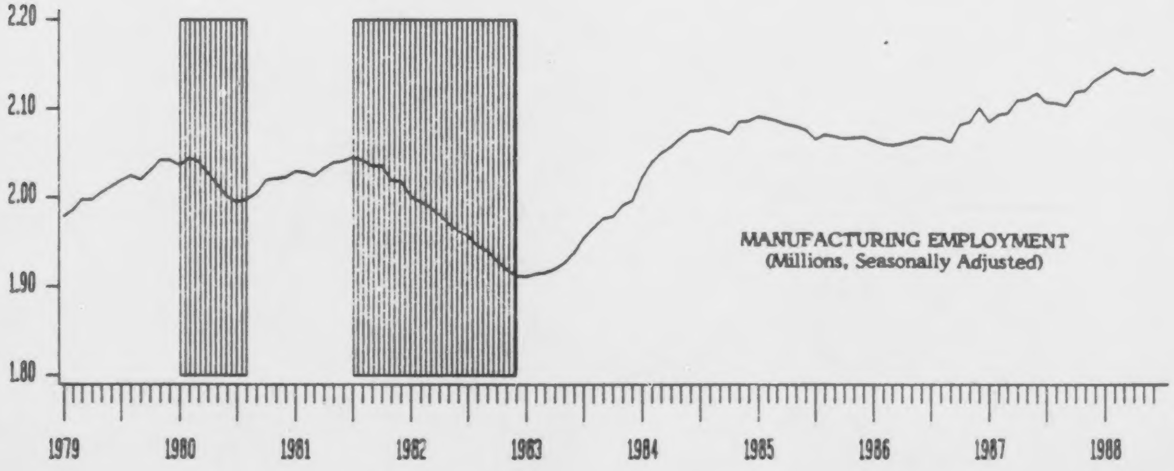
Taxable Sales

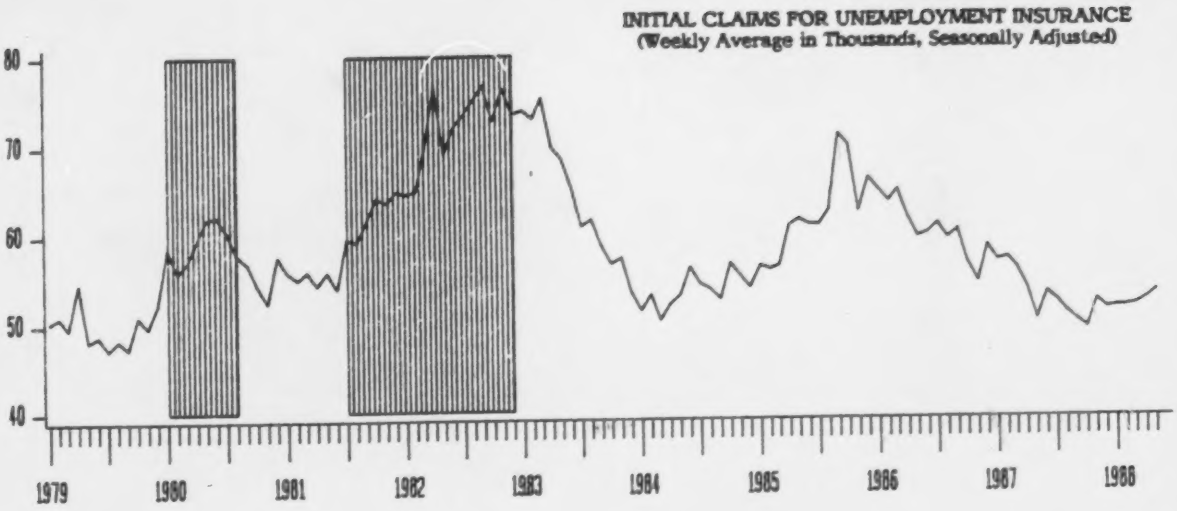
Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is therefore a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuation in the series since 1950.

The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

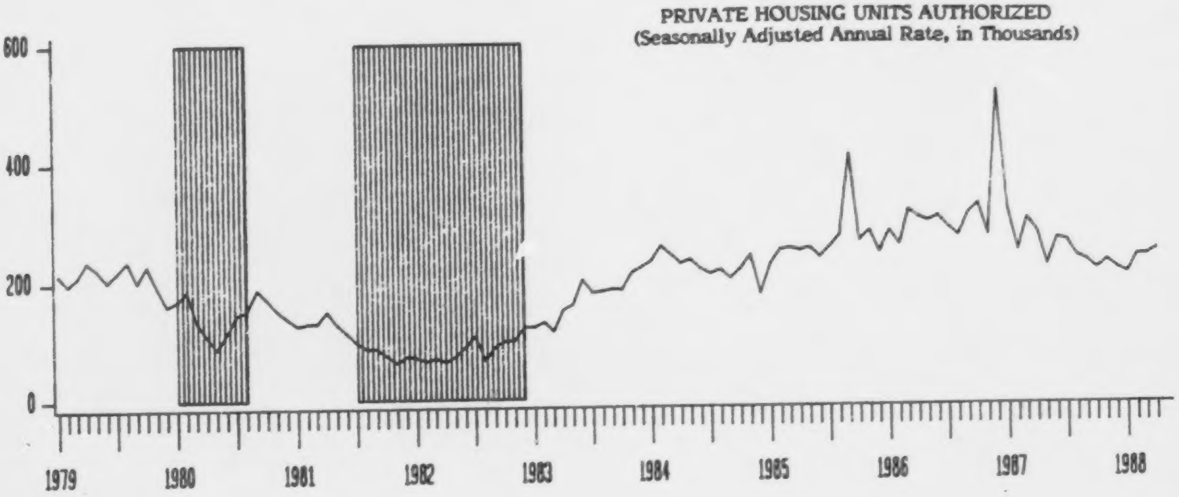

AVERAGE OVERTIME HOURS, MANUFACTURING
(Seasonally Adjusted)


AVERAGE WEEKLY HOURS, MANUFACTURING
(Seasonally Adjusted)

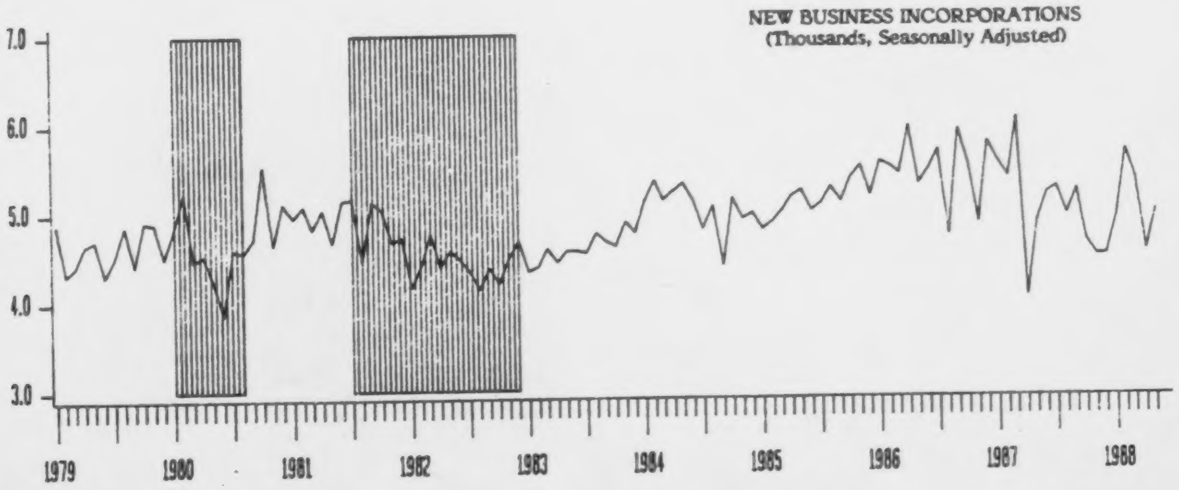

MANUFACTURING EMPLOYMENT
(Millions, Seasonally Adjusted)



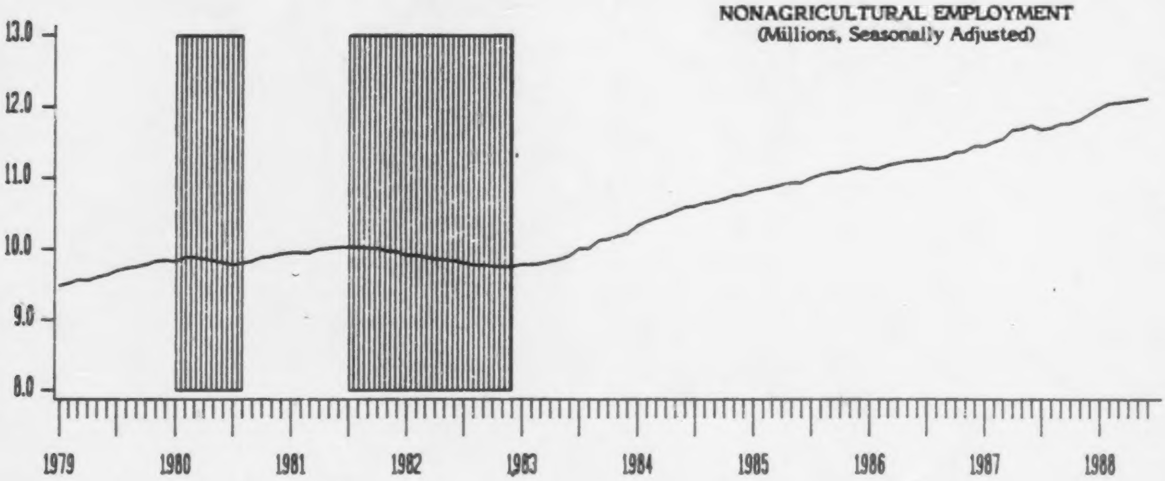
INITIAL CLAIMS FOR UNEMPLOYMENT INSURANCE
(Weekly Average in Thousands, Seasonally Adjusted)

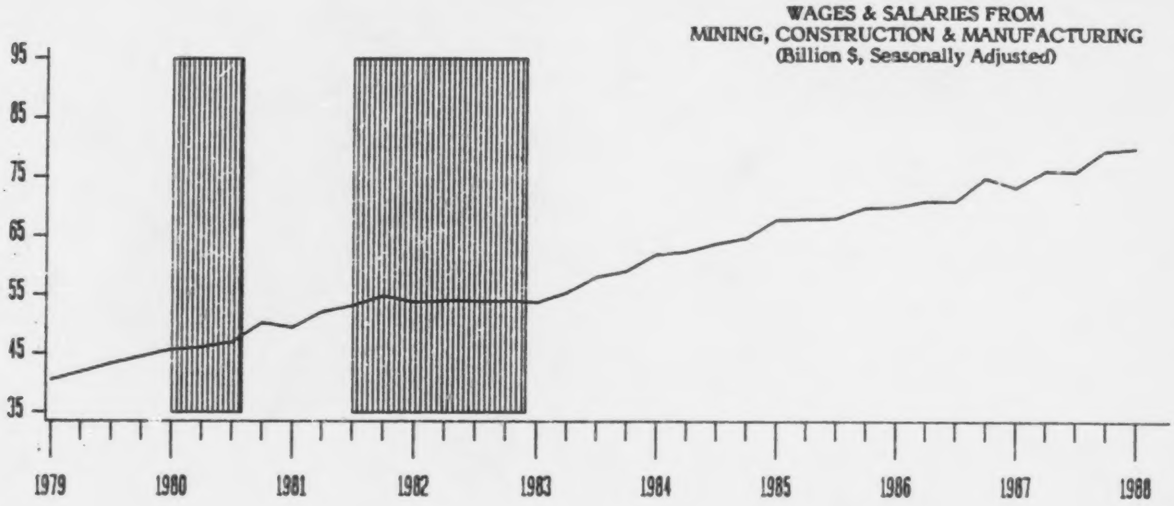


PRIVATE HOUSING UNITS AUTHORIZED
(Seasonally Adjusted Annual Rate, in Thousands)

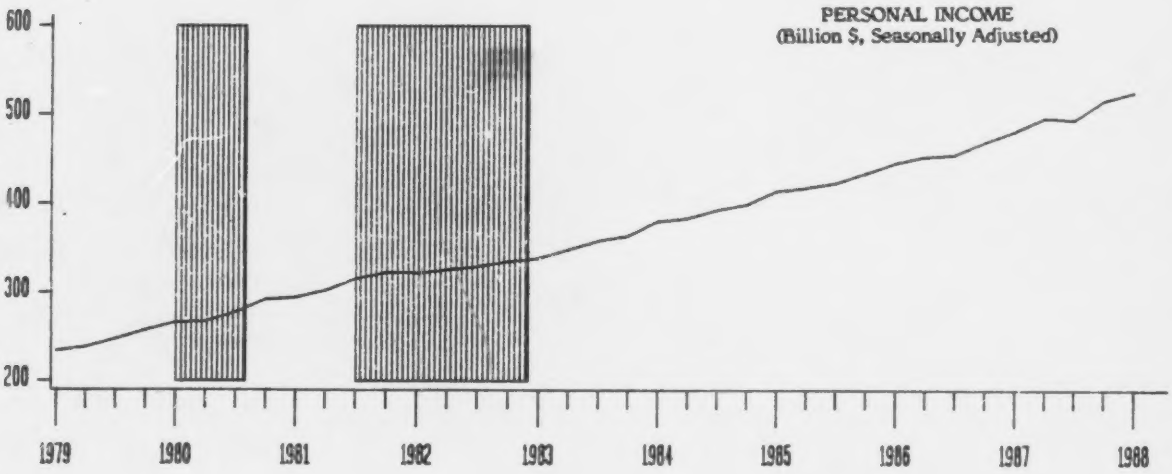


NEW BUSINESS INCORPORATIONS
(Thousands, Seasonally Adjusted)

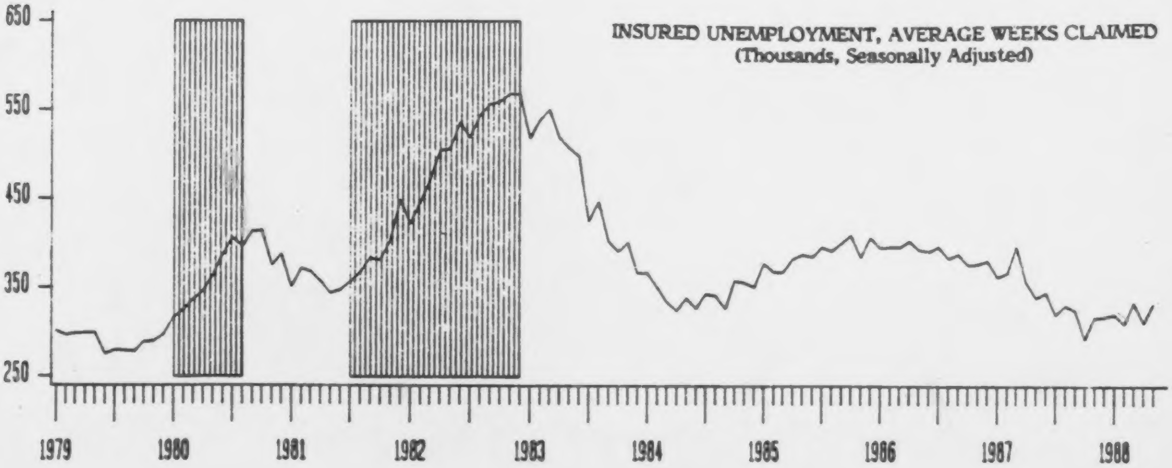

NONAGRICULTURAL EMPLOYMENT
(Millions, Seasonally Adjusted)
13.0
12.0
11.0
10.0
9.0
8.0
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988



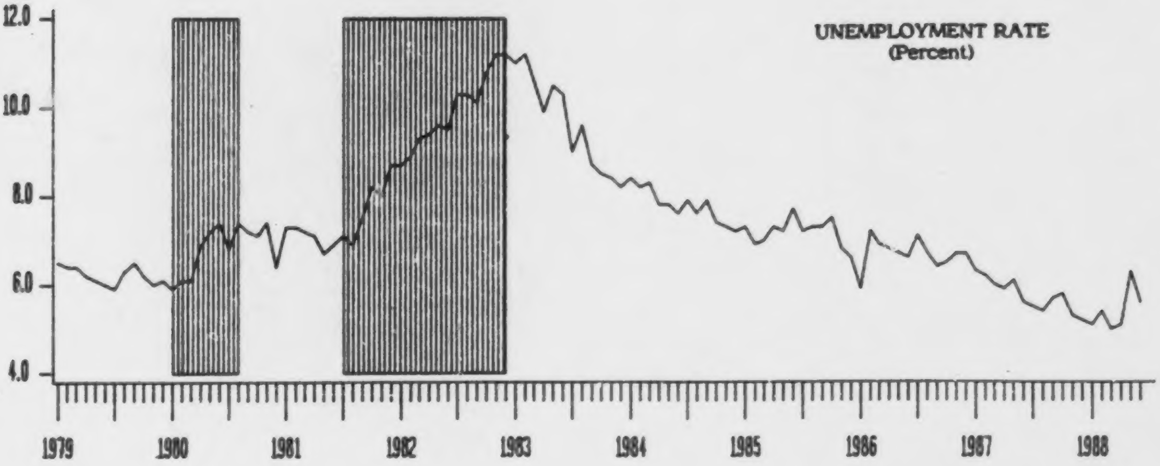
WAGES & SALARIES FROM
MINING, CONSTRUCTION & MANUFACTURING
(Billion $, Seasonally Adjusted)

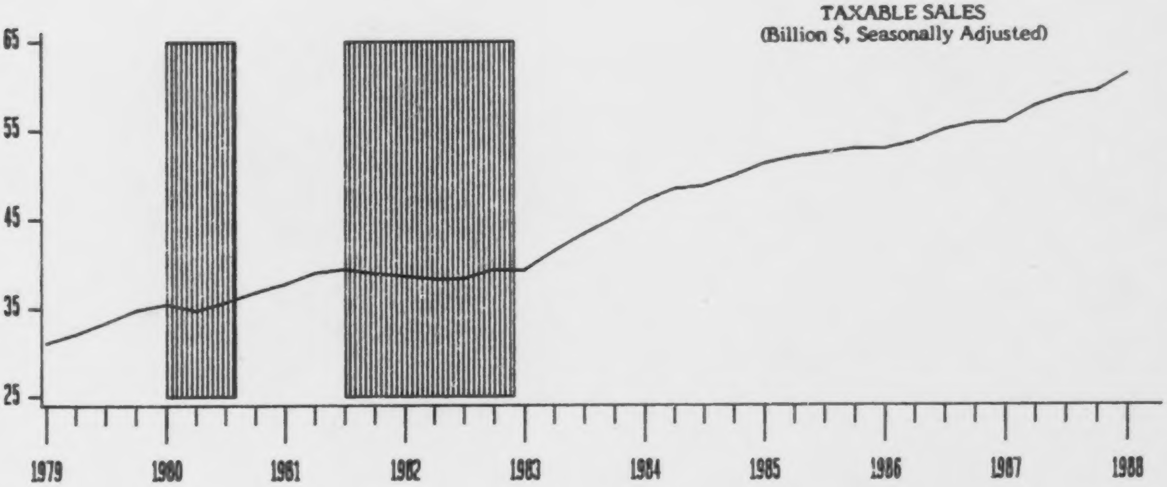


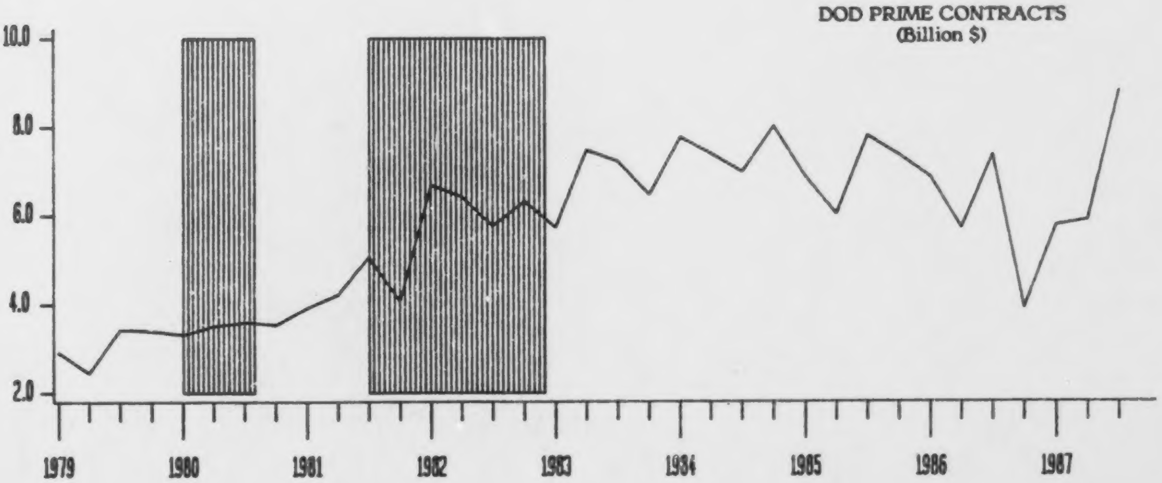
PERSONAL INCOME
(Billion $, Seasonally Adjusted)

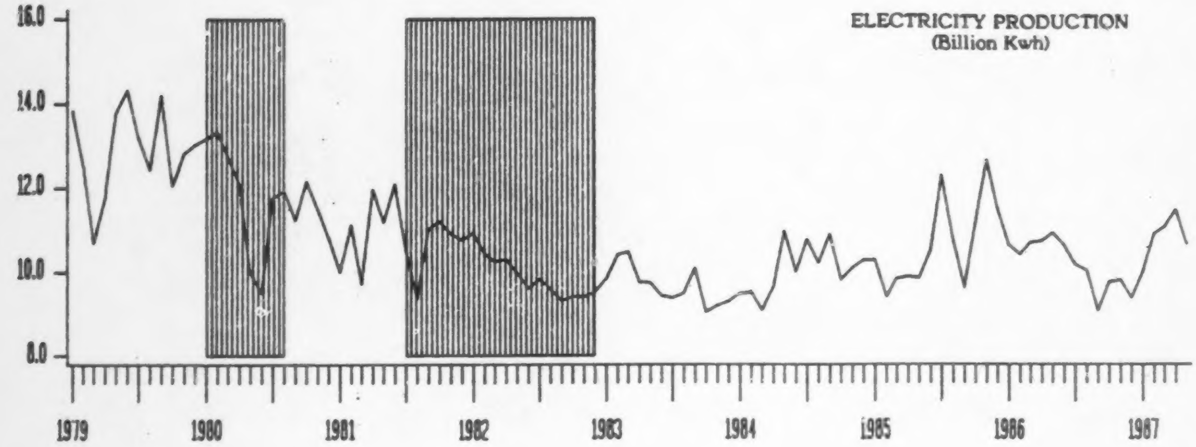


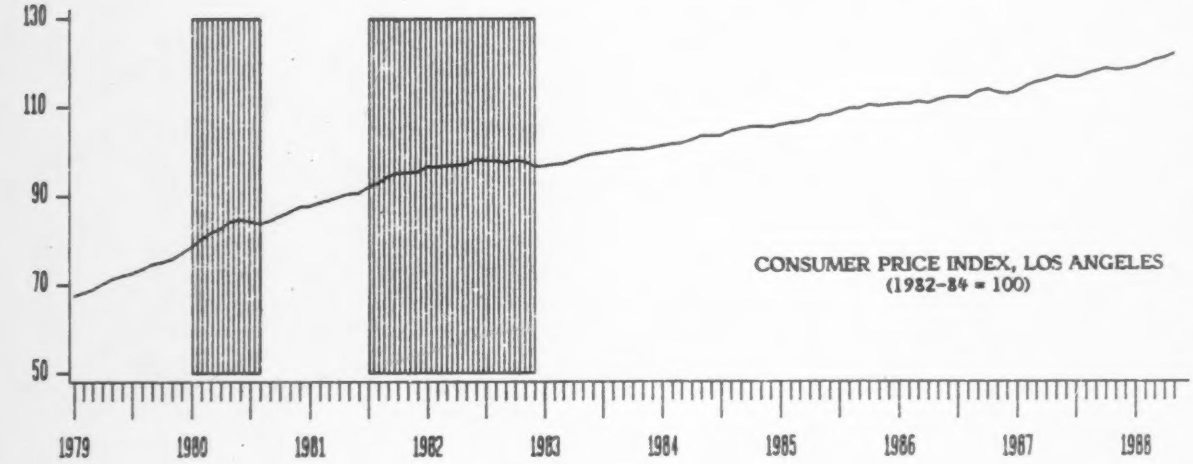
INSURED UNEMPLOYMENT, AVERAGE WEEKS CLAIMED
(Thousands, Seasonally Adjusted)

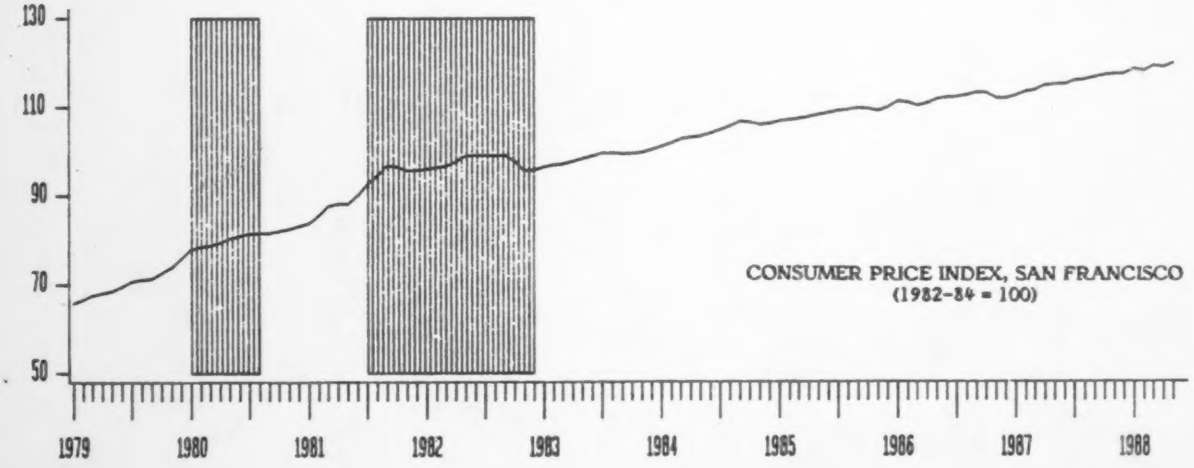

UNEMPLOYMENT RATE
(Percent)
12.0
10.0
8.0
6.0
4.0
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988


TAXABLE SALES
(Billion $, Seasonally Adjusted)
65
55
45
35
25
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988


DOD PRIME CONTRACTS
(Billion $)
10.0
8.0
6.0
4.0
2.0
1979
1980
1981
1982
1983
1984
1985
1986
1987


ELECTRICITY PRODUCTION
(Billion Kwh)


CONSUMER PRICE INDEX, LOS ANGELES
(1982-84 = 100)


CONSUMER PRICE INDEX, SAN FRANCISCO
(1982-84 = 100)

CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national events of general interest have also been included.

	1980
February 25	Prime rate raised to 16-1/2 percent.
February 27	Ceilings on interest rates for government backed mortgages raised to 13 percent.
February 29	Prime rate raised to 16-3/4 percent.
March 4	Prime rate raised to 17-1/4 percent.
March 7	Prime rate raised to 17-3/4 percent.
March 13	Prime rate raised to 18-1/4 percent.
March 14	Announcement of tighter fiscal policies.
March 17	Three percent discount rate surcharge imposed.
March 18	Prime rate raised to 19 percent.
April 2	Prime rate raised to 20 percent.
April 3	FHA mortgages raised to 14 percent.
April 20	Prime rate reduced to 19-1/2 percent.

	1980--Continued
April 28	FHA mortgages reduced to 13 percent.
	Prime rate reduced to 18-1/2 percent.
May 5	Prime rate reduced to 18 percent.
May 7	Prime rate reduced to 17 percent.
May 8	Discount rate surcharge reimposed.
May 12	Prime rate reduced to 16-1/2 percent.
May 19	Prime rate reduced to 16 percent.
May 28	Discount rate lowered to 12 percent. Some conventional mortgage rates fell to 12 percent.
June 25	Carpenters strike in Northern California ended.
July 3	ICC begins trucking industry deregulation.
July 21-October 23	Motion picture and television industry strike.

CHRONOLOGY--Continued

1980--Continued

July 22	Prime rate reduced to 11 percent.
July 25	Prime rate reduced to 10-3/4 percent.
July 28	Discount rate reduced to 10 percent.
August 5	Prime rate raised to 11 percent.
August 27	Prime rate raised to 11-1/2 percent.
September 5	FHA mortgage interest rate raised from 11-1/2 to 12 percent.
September 12	California morgage rate raised from 13-1/2 percent to 13-3/4 percent.
September 25	Pacific Southwest Airlines (PSA) pilots strike begins.
September 26	Discount rate raised from 10 to 11 percent. Prime rate raised from 12-1/2 percent to 12-3/4 percent.
October 2	Prime raised from 13 to 13-1/2 percent.
October 3	Prime raised to 14 percent.
October 15	AFTA workers return to work.
October 30	Prime raised from 14 to 14-1/2 percent.
November 7	Prime raised from 14-1/2 to 15-1/2 percent.
November 14	PSA pilots strike ends.
November 17	Prime raised to 16 1/4 percent. Discount rate raised from 11 to 12 percent and surcharge imposed.
November 21	Prime raised to 17 percent.
November 28	Prime raised to 17-3/4 percent.
December 3	Prime raised from 17-3/4 to 18-1/2 percent.
December 5	Discount rate raised from 12 to 13 percent. Prime raised to 19 percent.
December 11	Prime raised to 20 percent.
December 17	Prime raised from 20 to 21 percent.
December 23	Prime lowered from 21 to 20-1/2 percent.

1981

January 1	Minimum wage raised from $3.10 to $3.35.
January 6	Prime lowered to 20 percent.
January 20	American hostages released from Iran.
January 20	Ronald Reagan inaugurated as 40th President of the U.S.
January 28	Deregulation of oil and gas industry announced, effective immediately.
January 29	Prime rate lowered to 19-1/2 percent from 20 percent.

	1981--Continued
February 16	General Motors and Ford rebate plans announced.
February 23	Prime rate lowered to 18 percent.
March 2	Prime rate lowered to 18-1/2 percent.
March 10	Prime rate lowered to 18 percent.
March 16	Prime rate lowered to 17-1/2 percent.
March 18	Prime rate lowered to 17 percent.
March 26-June 8	United mine workers strike.
April 13	Prime rate raised to 17-1/2 percent.
April 29	Prime rate raised to 18 percent.
May 4	Prime rate raised to 19 percent.
May 5	Discount rate raised from 13 percent to 14 percent.
May 8	FHA-VA rate up to 15-1/2 percent from 14-1/2 percent.
May 11	Prime rate raised to 19-1/2 percent.
May 22	Prime rate raised to 20 percent.
May 27	OPEC fails to agree on a uniform price schedule. OPEC officials freeze prices at current level.

	1981--Continued
June 5	Dollar reaches highest level in international trading since December 1971.
July 8	Prime rate raised to 20-1/2 percent.
August 3 Jan. 17, 1986	Professional Air Traffic Controller's Organization strike.
August 14	President Reagan signs both the tax- and budget-cut bills into law.
August 18	FHA-VA rate up to 16-1/2 percent from 15-1/2 percent.
September 1	Prime rate lowered to 20 percent.
September 21	Prime rate lowered to 19-1/2 percent.
September 22	Fed surcharge cut to 3 percent from 4 percent.
October	Introduction of All Savers Certificates to stimulate savings.
October 6	Prime rate lowered to 19 percent.
	Egyptian President Sadat assassinated.
October 13	Prime rate lowered to 18 percent.
October 30	OPEC price set at $34.00/barrel--the Saudi benchmark.
November 1	Passbook interest rate raised 1/2 percent to 5-3/4 percent.

CHRONOLOGY--Continued

1981--Continued

November 2	Fed discount rate cut from 14 percent to 13 percent. Prime rate lowered to 17-1/2 percent.
November 10	Prime rate lowered to 17 percent.
November 13	Prime rate lowered to 16-1/2 percent. FHA mortgage rate lowered to 15-1/2 percent.
November 16	Prime rate lowered to 16 percent.
November 17	Fed eliminates 2 percent surcharge. Discount rate unaffected.
December 1	Prime rate lowered to 15-1/2 percent.
December 4	Fed discount rate lowered from 13 percent to 12 percent
December 12	Martial law imposed in Poland.

1982

January 22	Federal funds rate raised to 13-1/2 percent.
January 25	FHA mortgage rate increased from 15-1/2 percent to 16-1/2 percent.
January 27	Federal funds rate raised to 13-3/4 percent.

1982--Continued

February 2	Prime rate raised to 16-1/2 percent by Citibank and Crocker.
February 18	Prime rate increased to 17 percent.
February 24	Prime rate cut back to 16-1/2 percent.
March 1	Ford-UAW Pact ratified. Workers give up two weeks of paid time off and annual 3 percent raises.
March 8	Prime rate lowered to 16 percent.
March 16	Prime rate back up to 16-1/2 percent.
April 1	OPEC cuts production to 17.5 million barrels from current 18.2. Saudi bench mark set at $34/barrels.
April 5	Unemployment rate nationally hits 9.0 percent tying the post-WW II high in May 1975.
April 12	General Motor and United Auto Workers labor agreement approved.
April 26	The U.S. consumer price index declined 0.3 percent--the first decline in 17 years and the largest drop in nearly a quarter of a century.
May 7	U.S. unemployment rate reaches 9.4 percent for a post-WW II record.

CHRONOLOGY--Continued

1982--Continued

May 13	Braniff Air Lines ceases operation.
June 25	Secretary of State Alexander Haig resigns.
June 28	U.S. Supreme Court rules that federally chartered savings and loan associations cannot be prohibited from enforcing due-on-sale clauses in their mortgage contracts.
July 20	Discount rate lowered from 12 percent to 11-1/2 percent. Prime rate lowered from 16-1/2 percent to 16 percent.
July 27	Prime rate lowered to 15-1/2 percent.
August 2	Discount rate lowered to 11 percent. Prime rate lowered to 15 percent.
August 9	Unemployment rate reached 9.8 percent in July--the highest level since a 9.9 percent rate in 1941.
August 16	Discount rate cut from 11 percent to 10-1/2 percent. Most major banks lower their prime lending rates to 14-1/2 percent.
August 18	Dow Jones Industrial Average rose 38.81 points--an all-time record.
August 19	The stock market trading soared to a record 132,690,000 shares.
August 27	Discount rate lowered to 10 percent. Prime rate lowered to 13.5 percent.

1982--Continued

November 23	Prime rate lowered from 12 percent to 11-1/2 percent.
December 13	Discount rate cut to 8-1/2 percent.
December 14	Introduction of money market deposit accounts by banks and S&Ls.

1983

January 5	Super NOW accounts introducted.
January 11	Prime rate lowered to 11 percent.
January 31	Independent truckers strike begins.
February 10	Independent truckers strike end.
February 15	Toyota/GM agreement to build a small car in late 1984.
February 25	Prime rate lowered to 10-1/2 percent.
March 14	OPEC sets $29 per barrel benchmark price and production quota of 17.5 million barrels.
May 2	A 6.5 magnitude earthquake strikes the town of Coalinga.
	An earthquake measuring 6.5 on the Richter scale strikes Coalinga, California.
June 8	The maximum rate on government-backed mortgages was raised from 11-1/2 percent to 12 percent.
June 18	Paul Volcker reappointed as Federal Reserve Board Chairman.

1983--Continued

June 24	The Federal Budget deficit totalled a record $29.29 billion in May.
July 7	The maximum rate on government-backed mortgages was raised from 12 percent to 12-1/2 percent.
July 13	Chrysler Corporation announced it will repay the remaining $800 million in federally guaranteed loans by September, seven years before they are due.
July 25	The Washington Public Power Supply System defaulted on $2.25 billion in bonds, creating the largest municipal default in U.S. history.
August 1	California's $1.2 billion offering of revenue-anticipation notes, the State's largest note issue, drew strong investor interest. Notes totalling $700 million, maturing next April and June, were oversubscribed.
August 2	The maximum rate on government backed mortgages rose from 12-1/2 percent to 13-1/2 percent.
August 7-August 28	The Communications Workers of America and two other unions strike AT&T.
August 8	Prime rate raised from 10-1/2 percent to 11 percent by most major banks.

1983--Continued

August 23	The maximum rate on government backed mortgages fell from 13-1/2 percent to 13 percent.
September 1	Soviet Union shoots down Korean Airlines Flight 007, New York to Seoul, near the Soviet Island of Salhalin, just north of Japan.
November 1	Maximum rate on VA & FHA mortgages lowered from 13 percent to 12.5 percent.
November 3-December 21	Strike against Greyhound Lines Inc.
December 1	FHA mortgage interest rates begin to float. VA rates are still pegged.

1984

January 3	Breakup of AT&T becomes effective.
February 2	Contemporaneous reserve accounting is required by Fed for all but the very small deposit-taking institutions.
March 19	Prime rate raised from 11 percent to 11-1/2 percent.
March 20	Maximum rate on VA loans raised from 12-1/2 to 13 percent.
April 4	Prime rate raised from 11-1/2 percent to 12 percent.
April 9	Discount rate raised from 8-1/2 percent to 9 percent; the first change in 3 years.
May 5	Prime rate raised from 12 percent to 12-1/2 percent.

CHRONOLOGY--Continued

1984--Continued

June 26	Prime rate raised from 12-1/2 percent to 13 percent.
September 3 - December 7	Hotel and restaurant strike - San Francisco.
September 15 - October 14	UAW-General Motors strike.
September 28	Prime rate reduced from 13 percent to 12-3/4 percent.
October 16	Prime rate reduced from 12-3/4 percent to 12-1/2 percent.
October 28	Prime rate reduced from 12-1/2 percent to 12 percent.
November 7	Prime rate reduced from 12 percent to 11-3/4 percent.
November 21	Discount rate reduced from 9 percent to 8-1/2 percent.
November 28	Prime rate reduced from 11-3/4 percent to 11-1/4 percent.
December 17	Prime rate reduced from 11-1/4 percent to 10-3/4 percent.
December 24	Discount rate reduced from 8-1/2 percent to 8 percent.

1985

January 1	Federal price controls removed from approximately half of the natural gas produced in the United States.

1985 Continued

January 15	Prime rate reduced from 10-3/4 percent to 10-1/2 percent.
March 9	Home State Savings Bank Cincinnati, Ohio closed.
March 15	Seventy Ohio thrift institutions closed to prevent run on deposits.
March 25	Maximum rate on VA loans raised from 12-1/2 percent to 13 percent.
May 2	Auto manufacturer's initiate low interest loan programs.
May 17- June 14	United Airlines--Air Pilots Association strike.
May 17	Prime rate reduced from 10-1/2 percent to 10 percent.
May 20	Dow Jones Industrials close above 1,300 for the first time.
May 29	Presidents' tax reform plan unveiled.
June 18	Prime rate reduced to 9 1/2 percent from 10 percent.
July 16	Conventional mortgage rates fell to 12.03 percent average--the lowest since October 1979.
July 22- October 16	8,200 steelworkers on strike at Wheeling Pittsburgh--the industry's first major walkout in 26 years.
August 15	GM announces 7.7 percent financing rate program to run through October 2nd.

CHRONOLOGY--Continued

1985--Continued

August 20	Ford and Chrysler announce incentive plans including low interest loans and rebates on 1985 autos.
September 4	The Farm Credit System seeks a Federal bailout of its $74 billion loan portfolio.
September 15	A State Department of Housing and Community Development regulation requiring equal access on accessible levels of apartment houses with five or more units, for handicapped persons, went into effect.
September 16	Saudi Arabia announces plans to boost oil production and cut prices.
September 22	G-5 agreement to push the dollar lower.
November 7	Dow Jones Industrials close above 1400 for the first time.
December 10	World oil prices fall by more than a dollar after OPEC decides to abandon price supports.
December 12	President Reagan signs the budget deficit bill into law, raising the debt ceiling to $2 trillion and setting deficit targets for each year through 1991.
December 23	President Reagan signs the farm subsidy bill into law, creating a 5-year plan to bail out the Farm Credit System.

1986

January 1	Ceiling on Super NOW accounts was removed.
January 17	United Steel workers leaders agreed to allow rank-and-file members to vote on labor contracts for the first time in the union's history.
January 28	Space shuttle Challenger explosion destroys the spacecraft. Seven crew members died.
February 26	Corazon Aquino takes over Phillipines as the new president.
March 3	Dow Jones Industrials close above 1700 for the first time.
March 4	Yields on 10-year Treasury Notes fall below 8 percent for the first time in eight years.
	Oil prices fall to $12 per barrel.
March 7	The discount rate reduced from 7-1/2 percent to 7 percent, following similar cuts by Germany & Japan.
March 10	Prime rate cut to 9 percent from 9-1/2 percent.
March 21	Dow Jones Industrials close above 1800 for the first time.
	Conservative Chirac appointed as Prime Minister of France.
March 25	U.S. warplanes attacked two Libyan ships and a shoreline missile site after Libyan missiles were fired at U.S. planes in the Gulf of Sidra.

	1986--Continued
April 1	Interest ceilings on passbook saving accounts ended.
	Oil prices fall to under $11 per barrel.
April 14	U.S. air strike against Libya.
April 21	U.S. Dollar reaches a post-WWII low against the Yen at 168.60.
	Discount rate cut from 7 percent to 6-1/2 percent.
	Prime rate cut to 8-1/2 percent from 9 percent.
April 23	Paul Volcker warns of public and private debt buildup as a threat to the economy.
April 25	Soviet nuclear plant at Chernobyl destroyed by fire.
May 12	U.S. dollar falls to 159.95 Yen.
May 22	U.S. proposes 35 percent tariff on Canadian cedar shakes and shingles for roofing, leading to a trade dispute between the U.S. and Canada.
June 1- June 26	CWA strike at AT&T.
July 7	The U.S. Supreme Court ruled that the Gramm-Rudman-Hollings mechanism for across the-board, automatic spending cuts was unconstitutional.
July 7	The Dow Jones Industrial average was down a record 61.87 points.
July 10	The Fed lowered the discount rate from 6-1/2% to 6%.
July 11	Prime rate cut to 8 percent from 8-1/2 percent.
July 20	Prime rate cut to 7-1/2 percent.
August 1	United steelworkers strike for the first time since 1959. 44,000 workers were involved.
August 20	The discount rate was reduced from 6 percent to 5-1/2 percent.
August 27	The prime rate was cut to 7-1/2 percent from 8 percent.
August 28	General Motors Corp. introduces a new incentive program to lure consumers by an unprecedented auto loan rate of 2.9 percent.
September 4	Stock market prices soared as the Dow Jones Industrial average jumped 38.38 points to a closing record of 1919.17.
September 5	California bank and corporation tax law was amended to provide for a "Waters-Edge" election. This is an alternate treatment of taxable income.
September 11	The Dow Jones Industrial average plummeted a record 86.61 points, or 4.61 percent to 1792.89.

1986--Continued

October 22	President Reagan signs the tax reform bill into law, the first full scale remodification since 1954.
October 27-December 13	Union employees from Kaiser Foundation Hospital, Kaiser Permanente Medical Group, Inc. & Kaiser Foundation Health Plan strike
November 1	The savings bond rate dropped from 7-1/2 percent to 6 percent, affecting new issues only.

1987

January 1	California Legislature approved a measure, effective Jan. 1, 1987, giving school districts the local option to access $1.50 per square foot on new residental construction and $.25 per square foot on new nonresidential construction.
	Fannie Mae raises mortgage ceiling to $153,100 from $133,250.
	OPEC's 7 percent production cut went into effect. U.S. oil prices hit $18 per barrel.
January 8	The Dow Jones Industrial average topped the 2000 mark.
January 19	The Dow Jones Industrial average topped the 2100 mark.

1987--Continued

January 19	The California Trade Office opened in Tokyo.
	The dollar fell to a record low against the yen--150.49 yen to the dollar.
January 22	The Dow Jones Industrial average posted a record 51.60 percent gain to a new high of 2145.67.
February 5	Brazil suspends interest payments on commercial debt.
	The Dow Jones Industrial average topped the 2200 mark.
March 5	Ecuador is rocked by severe earthquake.
March 16	Fannie Mae announces it will not enter home equity loan market.
March 20	The Dow Jones Industrial average topped the 2300 mark.
March 24	U.S. dollar falls to post WW II low--148.5 yen to the dollar.
April 1	The prime rate increased from 7-1/2 to 7-3/4 percent.
April 6	The Dow Jones Industrial average topped the 2400 mark.
April 13	The California Trade Office opened in London.
May 1	The prime rate was increased from 7-3/4 percent to 8 percent.
May 5	Immigration amnesty program in effect.

1987 (Continued)

May 7	The Farm Credit System formally asked Congress for a $6 billion loan from the Treasury.
May 15	The prime rate was increased to 8-1/4 percent from 8 percent.
May 17	The U.S.S. Stark was struck by an air-launched Iraqi missile in the Persian Gulf.
June 1	Penalties in place for employers of illegal aliens.
July 17	Dow Jones Industrials close over 2,500 for the first time.
July 22	Kuwaiti tankers placed under U.S. flag for transit through Persian Gulf.
August 10	Dow Jones index closes over 2,600 for 1st time.
August 11	Alan Greenspan sworn in as Chairman of the Federal Reserve Board.
August 17	Dow Jones index closes over 2,700 for 1st time.
September 4	Discount rate raised from 5-1/2 percent to 6 percent.
	Prime rate raised from 8-1/4 percent to 8-3/4 percent.
October 1	Severe earthquake hits Southern California. Epicenter near Whittier.

1987 (Continued)

October 7	Prime rate raised from 8-3/4 percent to 9.25 percent.
October 14	Dow Jones Industrials fall a record 95 points.
October 15	Dow Jones Industrials down 58 points.
October 16	Dow Jones Industrials down a record 108 points.
October 19	Dow Jones Industrial average plunges 508 points, a record 22.6 percent one-day drop. Cumulative four-day decline of 769 points.
October 21	Dow up a record 187 points.
October 22	Prime rate cut to 9 percent from 9.25 percent.
November 2	Dollar falls to 40 year low of 136.95 Yen.
November 5	Prime rate cut to 8/75 percent from 9 percent.
November 23-November 24	Severe earthquakes hit Imperial County.
November 30	Dollar hits postwar lows against Yen and Mark.

1988

February 3	Prime rate cut to 8.5 percent from 8.75 percent.
March 7	Television writers strike.
May 12	Prime rate raised from 8.5 percent to 9 percent.
July 1	California's minimum wage raised from $3.35 to $4.25.

1988 (Continued)

July 3	U.S.S. Vincennes shoots down Iran Air Flight 655 over the Persian Gulf.
July 14	Prime rate raised from 9 percent to 9-12 percent.

REFERENCE DATES OF UNITED STATES BUSINESS CYCLES, 1854–1982

Initial Trough		Peak		Terminal Trough		Expansion (months)	Contraction (months)	Total (months)
Dec.	1854	June	1857	Dec.	1858	30	18	48
Dec.	1858	Oct.	1860	June	1861	22	8	30
June	1861	April	1865	Dec.	1867	46	32	78
Dec.	1867	June	1869	Dec.	1870	18	18	36
Dec.	1870	Oct.	1873	March	1879	34	65	99
March	1879	March	1882	May	1885	36	38	74
May	1885	March	1887	April	1888	22	13	35
April	1888	July	1890	May	1891	27	10	37
May	1891	Jan.	1893	June	1894	20	17	37
June	1894	Dec.	1895	June	1897	18	18	36
June	1897	June	1899	Dec.	1900	24	18	42
Dec.	1900	Sept.	1902	Aug.	1904	21	23	44
Aug.	1904	May	1907	June	1908	33	13	46
June	1908	Jan.	1910	Jan.	1912	19	24	43
Jan.	1912	Jan.	1913	Dec.	1914	12	23	35
Dec	1914	Aug.	1918	March	1919	44	7	51
March	1919	Jan.	1920	July	1921	10	18	28
July	1921	May	1923	July	1924	22	14	36
July	1924	Oct.	1926	Nov.	1927	27	13	40
Nov.	1927	Aug.	1929	March	1933	21	43	64
March	1933	May	1937	June	1938	50	13	63
June	1938	Feb.	1945	Oct.	1945	80	8	88
Oct.	1945	Nov.	1948	Oct.	1949	37	11	48
Oct.	1949	July	1953	May	1954	45	10	55
May	1954	Aug.	1957	April	1958	39	8	47
April	1958	April	1960	Feb.	1961	24	10	34
Feb.	1961	Dec.	1969	Nov.	1970	106	11	117
Nov.	1970	Nov.	1973	March	1975	36	16	52
March	1975	Jan.	1980	July	1980	58	6	64
July	1980	July	1981	Nov	1982	12	16	28

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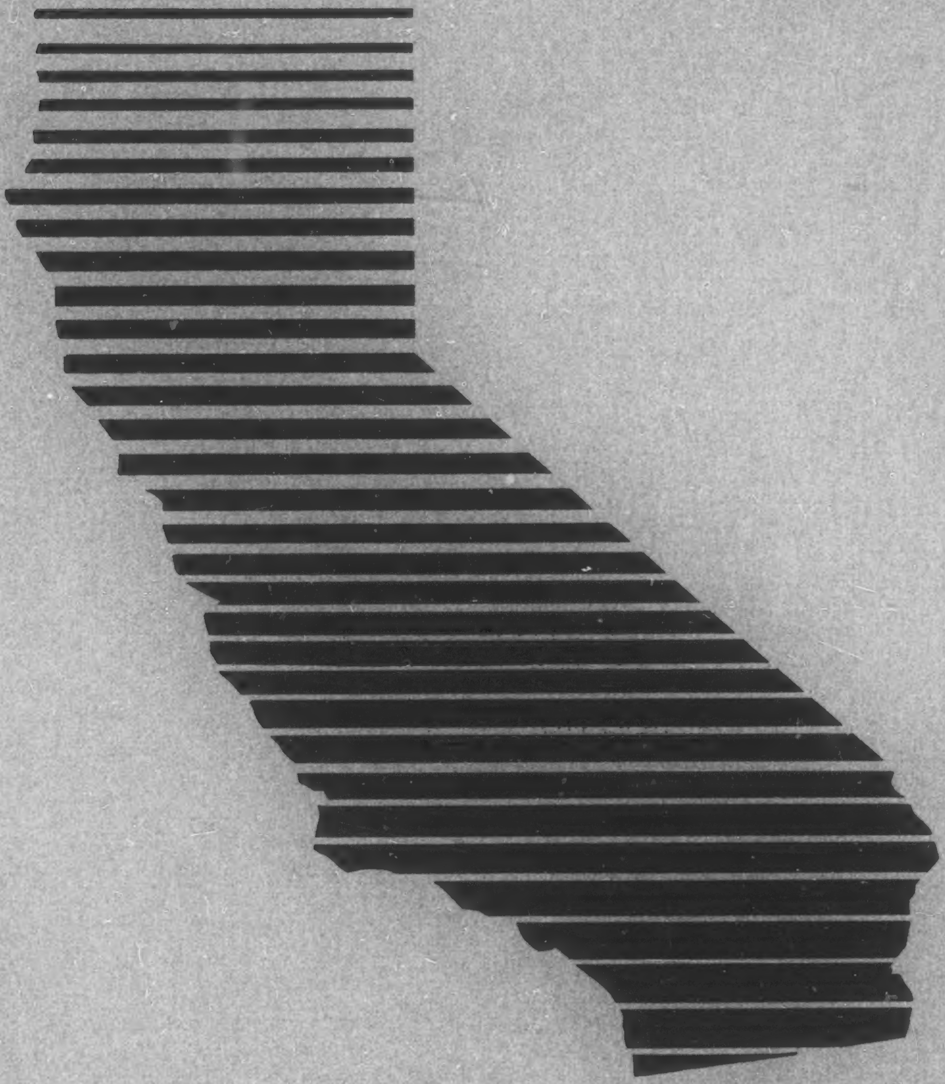
CALIFORNIA ECONOMIC INDICATORS

September 1988



DEPARTMENT OF FINANCE

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INTRODUCTION

California Economic Indicators is a bimonthly summary of economic trends and data relating to the State of California. Generally patterned after the U.S. Bureau of Economic Analysis publication *Business Conditions Digest*, the report contains regular features in each issue.

Developments in California over the most recent months are reviewed in a brief text, and then summarized in current data tables which show changes over the previous year. Charts containing monthly and quarterly series from 1979 are included to facilitate the review of current developments, and to appraise the significance of the developments on the State's economy. Much of the data in the report has been seasonally adjusted by the source agency or by the Department of Finance.

Reference dates for U.S business cycles, as determined by the National Bureau of Economic Research, are also shown. Finally, sources are cited on the inside back cover to assist readers in obtaining any additional information on the statistical series published.

The Department of Finance welcomes suggestions on additions or changes which would make the *Indicators* a more useful publication. Correspondence should be addressed to the State of California, Department of Finance, Financial Research Unit, 8th Floor, 915 L Street, Sacramento, CA 95814.

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REVIEW OF ECONOMIC DEVELOPMENTS

Over the summer months, California's economy continued the moderately paced expansion which has been characteristic of 1988. Nonagricultural payroll employment in August was up 3.5 percent over the year earlier level. Seasonally adjusted data show monthly gains in the range of 15,000 to 30,000 since February, and August was no exception. The most recent figure of 12,454,400 was up 18,000 from July.

The state's jobless rate remains in the mid-5 percent range. The August reading of 5.6 percent was up slightly from July's 5.4 percent but equal to the June level. As noted in previous issues of this publication, the California unemployment rate, which had always been somewhat volatile on a month to month basis, is now even less reliable following the substantial cut in the household sample which occurred last April.

Quarterly personal income data have been revised back to 1969. Highlights of this revision are covered in the article beginning on page 7 of this issue. It appears that income in the State continues to grow at a strong pace, rising by 7.6 percent between the second quarters of 1987 and 1988. Wages and salaries, the largest component of income, were up 7.7 percent over the year. It should be pointed out, however, that preliminary data are subject to fairly substantial revisions. There are also unusual developments which on occasion can distort normal patterns.

An example of the latter occurred during the fourth quarter of 1987, when wage payments in the services sector surged. It appears that this was attributable to substantial one-time wage payments--or bonuses--made by professional service corporations to their principals or shareholders. The situation was particularly noticeable in Standard Industrial Classification (SIC) 8011 (medical doctors) and SIC 8111 (lawyers), and can be traced to a provision of the 1986 Federal tax reform act changing the tax reporting year for such corporations.

As a result of these one-time payments, income appears relatively flat in the first quarter of 1988. In reality, however, the first quarter performance reflects merely a return to a more normal pattern of wage disbursements in the professional services industries.

Despite all the concerns about the drought, tight labor and commodity markets, high levels of capacity utilization and the possibility of surging wages, inflation remains remarkably quiet as the economic expansion heads toward its seventh year. The August U.S. Consumer Price Index (CPI) was up 0.4 percent for the month and 4.0 percent over the year. As is typical, the rise in California was somewhat more, 0.6 percent for the month and 4.7 percent for the year.

Reflecting the drought, food prices rose somewhat more than the all items figure. On an annual comparison, food was up 4.9 percent nationally, 4.8 percent in the Los Angeles area, and 6.7 percent in the San Francisco Bay Area. Apparel prices, on the other hand, were up 2.9 percent nationally, but down 3.3 percent in Los Angeles and 5 percent in the Bay Area. In both food and apparel as well as other items, local competitive conditions have an obvious effect on price movements.

California's dry weather is having an impact on utility costs, particularly in the northern part of the State, which benefits from low cost hydroelectric power when conditions are right. Utility prices were up 7.1 percent over the year in the Bay Area, but only 1.1 percent in Los Angeles and a scant 0.2 percent nationally.

It appears that about two-thirds of the drought's effects have worked their way into retail prices. Such items as bread, cereals, cooking oils and poultry have seen substantial price increases in recent months. These have been partially offset by declining prices of red meat, especially pork. The livestock sector is liquidating herds rather than continuing to feed the higher cost grains and meals. By early next year, supplies will tighten, and red meat prices are should rise at that time.

The same cannot be said for energy costs. Oil prices have fallen below $13 per barrel, from $18 early this year. The drop has yet to be reflected in gasoline prices, although motor fuel costs should soften now that the summer vacation season is at an end. Fuel oil users in the east and midwest are already contemplating a lower cost heating season ahead.

Wages have firmed somewhat in recent months, but no explosion of wages seems in the offing. This year's 3 to 3-1/2 percent rise in wages may move into the 4 percent range in 1989. But such salary increases are still in line with productivity gains in the goods producing sector, and the private economy at large when wholesale and retail trade are excluded.

Overall, there is little reason to expect inflation to stray far from its recent moderate path. However, in California there is considerable concern over the surge in house prices, which is finally beginning to be reflected in consumer prices. The California Association of Realtors reports that with a year-over-year increase of more than 21 percent, July was the tenth consecutive month of double-digit increases in the prices of homes sold.

The Los Angeles CPI for August reflected a 6.1 percent annual gain in homeowners' costs (the reach from house prices to homeowners' costs is long, but one does affect the other eventually). Although price pressures have been most intense in Southern California, the Bay Area and, recently, Sacramento are also experiencing double-digit increases.

However, there is some scattered evidence that the boom in house sales and prices may be slowing, and most observers agree the markets are far more rational today than ten years ago. One very important difference for the CPI: Homeowners' costs reflect the rental equivalent housing cost. The current rental market is softer than at any time in the last 20 years--even in the large coastal metropolitan areas. As a result, the surge in house prices will be considerably muted as it finds its way into the price indexes.

CONSUMER PRICE CHANGES
Percent Change, August 1987-88

	United States	Los Angeles	San Francisco
All Items	4.0	4.5	5.1
Food	4.9	4.8	6.7
Residential Rent	3.7	4.6	4.3
Homeowners' Costs	5.1	6.1	4.5
Fuel & Utilities	0.2	1.1	7.1
Apparel	2.9	-3.3	-5.0
Transportation	2.9	5.5	3.2
Medical Care	4.4	8.1	5.2

The Interim Employment Series. As always, the non-agricultural employment figures quoted here reflect interim benchmark estimates, rather than the official figures published by the Employment Development Department. The interim estimates incorporate the most recent available quarterly payroll reports, representing a complete census of firms filing payroll tax returns. The current interim estimates are based on first quarter 1988 payrolls.

The official figures, on the other hand, are based on payroll reports for March 1987, and the monthly estimates are calculated using a sample panel of firms which fill out reports each month. The interim figures are also extended using the sample panel figures, but the extension covers a much shorter period--in this case five months rather than 17.

The use of a more recent benchmark period can be important in capturing movements in the state's economy. During periods of rapid growth--usually early in a business cycle recovery--the interim figures will usually indicate much stronger gains in jobs than does the official series. By the same token, during periods of economic weakness or recession, the more recently benchmarked figures will often fall short of the official series. The reason for the differences can be traced to the sample panel, which does not pick up new businesses and at the same time tends to understate the number of firms going out of business.

Currently, the interim figures are running moderately above the official series--the preliminary August difference was 38,000 jobs, or about 0.3 percent. This is a little less than average, but is indicative of an economy which is following a steady, moderate growth path.

Although more up-to-date, the interim figures present a few problems of their own. Revisions to the basic payroll reports are common, reflecting late filing of returns, industry misclassifications and a variety of other errors and omissions. These changes to the payroll reports are incorporated in the interim employment figures, making for frequent revisions in the data.

At present, the interim figures present a further problem, one which is encountered only once every five or ten years. Beginning this year, industry classifications in the payroll data are based on the new 1987 Standard Industrial Classifications

(SIC). As always, the adoption of the new SIC codes results in some changes in industry definition. While the changes are often widespread, they generally tend to be contained within broad sector groupings, i.e. within manufacturing, trade, services, etc.

Historical data however, remain on the old 1977 SIC codes. Early next year, the official series will be placed on the 1987 classifications, and historical data will be revised and "blended" into the new coding. In the meantime, the industry detail in the current 1988 interim figures are not strictly comparable to 1987 and prior years, or to the official series.

The new SIC codings generally do not pose a problem except for those who wish to analyze very detailed industry data. There is one important exception which is quite crucial in California: SIC industry code 357--Office, Computing and Accounting Equipment (computers, for short)--has been substantially affected by the 1987 code revisions.

At least 10,000 and as many as 12,000 (out of a December 1987 total of 106,000) workers have been reassigned from SIC 357 to other sectors. When comparing the interim and official figures, it appears that instruments (SIC 38) and electronic components (SIC 367) received about two-thirds of those previously classified in computer manufacturing. The remaining workers appear to have been placed in nonmanufacturing categories. While it is not possible to pinpoint the changes, it seems likely that many were shifted to business services. This industry includes software and systems design, and a variety of consulting services. Software, systems and consulting services are commonly provided by computer manufacturers to their customers, and the industry differentiates between its manufacturing and service components. Because only part of instruments is included in California's definition of the aerospace industry, interim aerospace figures are currently running 7,500 below the official data, and are showing a decline on a year to year basis. In fact aerospace employment, as defined by the 1977 SIC, is up at least 5,000 over the past year.

Other major differences between the interim and official figures appear to be based on economic developments rather than coding changes. Construction employment is currently running nearly 30,000 less in the interim than in the official series. The interim figures would seem to be more in line with the rather flat trend of building permit activity this year, which would not seem to support job gains on the scale indicated by the official data.

Business services, on the other hand, are running 41,000 above the official level. Apart from the possible incorporation of 2-3,000 computer industry employees, business services has been a very rapidly growing industry, with many new firms added each quarter.

In most other industry groups, there is very little difference between the interim and official figures. Despite the coding changes affecting aerospace, total manufacturing differs by only 800 workers out of almost 2.2 million. Trade is also about the same in the interim and official data, although coding changes may be responsible for differences of about 21,000 each in the wholesale and retail segments.

Despite the frequent revisions, and the current temporary problem with industry classification, the interim series does provide a more up-to-date view of developments in the State's economy.

PERSONAL INCOME REVISED

Revised personal income data for California were recently received from the U.S. Bureau of Economic Analysis in Washington, D.C. Personal income in 1987 amounted to $493 billion, a gain of 8.7 percent from 1986. This growth was considerably stronger than the 7 percent occurring nationally. As a result, California now accounts for 13.1 percent of all personal income in the nation.

Income revisions are received each August, tying annual state figures to the latest national data. The quarterly state estimates are then revised by the Department of Finance to be consistent with the annual totals, and may be obtained on request.

The largest changes occurred for 1985 and 1986, although there were various small adjustments for the past decade.

On balance, total personal income for 1986 is now estimated at $453.4 billion, as opposed to the $456.1 billion total released last year at this time.

There were few surprises in the latest data. Wages and salaries, which account for roughly 60 percent of all income, came in only slightly below the previously estimated level. This component is based on total wages reported for unemployment insurance coverage and rarely differs significantly from the initial estimate.

Other labor income, or fringe benefits, did fall below expectations. Historically this series increased relative to wages and salaries, reflecting their nontaxable status and the strong growth in employee health and pension programs. More recently, in contrast, fringes have been declining relative to wages as inflation was brought under control and broad federal tax cuts were enacted.

The most pronounced change was in proprietors' income. This component was revised down from $42.1 billion to $41.3 billion for 1986. Proprietors' income has been heavily influenced by tax laws in prior years. While the role of writeoffs via tax shelters has been substantially diminished, it is possible that this is still a negative factor. Unfortunately, income written off through shelters is never recaptured as capital gains, since the national income accounts reflect only income from current production. Capital gains are basically the transfer of existing assets between individuals. Because of this, personal income data contain an inherent downward bias.

Another large revision occurred in property income. Interest income was reduced by $500 million, with rents and royalties lowered $900 million. Given the methodology used to estimate these components--a heavy reliance on state shares for the previous year--the 1987 level came in lower than expected.

Personal Income in 1987

	$ Billion	% Change
Total	493.0	8.7
Wages & salaries	294.7	9.3
Other labor income	27.6	8.0
Proprietors' income	45.4	10.0
Farm	4.8	17.6
Nonfarm	40.5	9.2
Dividends	10.9	8.3
Interest	66.0	6.8
Rents and royalties	4.7	32.2
Transfer payments	65.4	6.3
Less: Contributions for social insurance	21.9	8.2
Plus: Residence adjustment	.2	-9.7

The strength of the past year is indicative of the strong level of economic activity which persists in California. The improvement in net exports, for instance, is having a stimulative impact on many of the state's basic industries. The construction industry remains strong after nearly six years of expansion. Some weakness in retail sales can be interpreted as necessary to free resources for plant and equipment spending. Consumer inflation remains between 4-1/2 and 5 percent despite fears that an overheated economy would lead to an unacceptable surge in prices.

The following tables show total and per capita income for the top ten states as of 1987.

	Total personal income ($ millions)
California	492,989
New York	320,930
Texas	232,783
Illinois	190,430
Florida	187,365
Pennsylvania	181,565
New Jersey	456,145
Ohio	157,580
Michigan	141,618
Massachusetts	112,085

	Per capita income
Connecticut	21,266
District of Columbia	20,457
New Jersey	20,352
Massachusetts	19,142
Alaska	18,230
Maryland	18,124
New York	18,004
California	17,821
New Hampshire	17,529
Delaware	16,696

EMPLOYMENT
(Seasonally Adjusted)

	1988				1987	Percent Change Aug 1987–Aug 1988
	Aug	Jul	Jun	May	Aug	
Civilian Employment (000)	13,373	13,374	13,315	13,251	13,031	2.6
Unemployment (000)	786	757	790	891	746	5.4
Unemployment rate	5.6	5.4	5.6	6.3	5.4	--
Nonagricultural wage and salary employment [a] (000)	12,154.4	12,137.2	12,094.6	12,075.6	11.745.0	3.5
Mining	43.2	43.2	43.5	43.5	41.4	4.3
Construction	618.4	617.7	608.4	608.5	570.8	8.3
Manufacturing	2,132.4	2,135.3	2,138.3	2,137.5	2,121.5	0.5
Aerospace [b]	n.a.	757.0	757.8	754.7	762.4	--
Transportation and Public utilities	592.6	593.3	591.1	590.4	576.6	2.8
Trade	2,908.2	2,904.7	2,883.3	2,879.6	2,773.6	4.9
Finance, insurance and real estate	827.1	824.7	818.8	817.2	802.7	3.0
Services	3,078.2	3,075.9	3,058.6	3,049.9	2,964.4	3.8
Government	1,954.4	1,942.4	1,952.6	1,949.0	1,894.1	3.2
Federal	350.7	349.1	351.4	351.4	348.3	0.7
State & local	1,603.7	1,593.3	1,601.2	1,597.5	1,545.8	3.7

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[a] Interim series of wage and salary workers. This unofficial series is adjusted for the latest tabulations of unemployment insurance coverage and approximates what the official data will be when estimates are updated at year end.

[b] The Interim Series does not give a breakdown for aerospace employment. These values are from the EDD official employment series, and are not seasonally adjusted.

n.a. Not available

HOURS AND EARNINGS IN MANUFACTURING

	1988				1987	Percent Change Jul 1987–Jul 1988
	Jul	Jun	May	Apr	Jul	
Average weekly hours [c]	40.3	40.6	40.6	40.7	39.9	1.0
Average weekly earnings	$440.48	$438.89	$438.07	$436.71	$431.72	2.0
Average hourly earnings	$10.93	$10.81	$10.79	$10.73	$10.82	1.0

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[c] Not seasonally adjusted.

TRADE
(Seasonally Adjusted)

	1988				1987	Percent Change Aug 1987– Aug 1988
	Aug	Jul	Jun	May	Aug	
Retail sales (millions)	n.a.	15,539	15,777	15,432	15,219	--
New auto registrations (number)	130,832	112,141	123,789	124,386	125,891	3.9

CONSUMER PRICE INDEX
(1982-84 = 100)

	1988				1987	Percent Change Aug 1987– Aug 1988
	Aug	Jul	Jun	May	Aug	
All Urban Series						
California Average	122.7	122.0	121.7	121.6	117.2	4.7
San Francisco	122.0	120.9	120.1	119.7	116.1	5.1
Los Angeles	122.6	122.1	122.0	122.0	117.3	4.5
Wage Earner and Clerical Worker Series						
California Average	119.6	119.0	118.8	118.7	114.5	4.5
San Francisco	120.5	119.7	119.0	118.7	114.9	4.9
Los Angeles	119.5	119.0	118.9	118.9	114.6	4.3

PRODUCTION

	1988				Percent Change Jul 1987– Jul 1988
	Jul	Jun	May	Apr	
Petroleum (000 barrels daily)	n.a.	1,066	1,066	1,070	--
Portland cement (000 short tons)	892.3	964.9	867.0	797.5	-2.6

---

n.a. Not available

Note: The series on lumber production has been discontinued.

CONSTRUCTION

	1988				1987	Percent Change
	Jul	Jun	May	Apr	Jul	Jul 1987-Jul 1988
Private Residential Housing Units Authorized (000) [a]	216.3	261.1	231.6	243.5	258.8	-16.4
Single Units	150.7	169.7	152.9	138.4	131.1	15.0
Multiple Units	65.6	91.4	78.7	105.1	127.7	-48.6
Residential Building Authorized Valuation (millions) [b]	$1,719	$2,003	$1,912	$1,913	$1,931	-11.0
Nonresidential Building Authorized Valuation (millions) [b]	$1,041	$1,082	$1,143	$977	$1,237	-15.8
Nonresidential Building Authorized Valuation (millions) [c]	$1,137	$1,221	$1,161	$989	$1,339	-15.1
Commercial	$517	$508	$540	$389	$640	-19.2
Industrial	$137	$179	$111	$108	$249	-45.0
Other	$148	$160	$207	$142	$118	25.4
Alterations & Additions	$337	$375	$302	$350	$332	1.5

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[a] Seasonally adjusted annual rate.
[b] Seasonally adjusted.
[c] Not adjusted for seasonal variation.
Totals may not add due to rounding.

VACANCY RATES FOR JUNE 1988
(Percent)

	Office			
	Total	Downtown	Suburban	Industrial
Northern & Central California				8.7
Oakland - East Bay	23.0	16.6	24.8	
Sacramento	16.9	6.6	20.2	
San Francisco	16.4	14.3	19.2	
San Jose	19.9	23.5	19.1	
Southern California				6.2
Los Angeles	15.5	14.6	15.7	
Orange County	22.1	n.a.	n.a.	
San Diego	22.1	10.9	26.8	
National Average	19.8	16.3	21.5	5.9

MEDIAN PRICE OF EXISTING SINGLE-FAMILY HOMES

1987	Jul	$142,224	1988	Jan	$147,281	Jul	$172,347
	Aug	$145,261		Feb	$147,665	Aug	$172,406
	Sep	$147,370		Mar	$151,725		
	Oct	$143,843		Apr	$157,033		
	Nov	$142,310		May	$160,073		
	Dec	$145,224		Jun	$167,428		

LEADING INDICATORS

		Manufacturing		
		Overtime Hours	Average Weekly Hours	New Business Incorporations
1987	Jul	3.6	40.4	5,240
	Aug	3.7	40.4	4,932
	Sep	3.6	39.7	5,209
	Oct	3.8	40.4	4,634
	Nov	3.8	40.6	4,469
	Dec	3.7	40.3	4,481
1988	Jan	3.8	40.8	4,905
	Feb	3.7	40.7	5,652
	Mar	3.9	41.0	5,334
	Apr	3.9	41.0	4,522
	May	3.8	40.7	4,968
	Jun	3.8	40.5	5,040
	Jul	3.8	40.8	4,525

		Unemployment Insurance Initial Claims	Housing Unit Authorizations (Thousands)
1987	Sep	49,791	225.4
	Oct	48,948	210.9
	Nov	52,096	225.6
	Dec	51,106	212.1
1988	Jan	51,351	203.1
	Feb	51,401	234.6
	Mar	51,587	234.7
	Apr	52,248	243.5
	May	53,092	231.6
	Jun	52,405	261.1
	Jul	54,369	216.3

Note: All data seasonally adjusted.

n.a. Not Available

COINCIDENT INDICATORS

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Thousands)	Insured Unemployment Average Weeks Claimed (Thousands)
1987	Oct	11,816	2,126	5.8	293
	Nov	11,862	2,126	5.3	318
	Dec	11,955	2,134	5.2	318
1988	Jan	11,894	2,134	5.1	321
	Feb	11,992	2,148	5.4	310
	Mar	12,044	2,141	5.0	334
	Apr	12,062	2,141	5.1	311
	May	12,076	2,138	6.3	333
	Jun	12,095	2,138	5.6	344
	Jul	12,137	2,135	5.4	319
	Aug	12,154	2,132	5.6	n.a

		Personal Income (Millions)	Wages & Salaries from Mining, Construction & Manufacturing (Millions)	Taxable Sales (Millions)
1987	Qtr I	$476,687	$73,457	$55,831
	Qtr II	$490,941	$76,513	$57,668
	Qtr III	$492,008	$77,455	$58,820
	Qtr IV	$512,319	$79,517	$59,330
1988	Qtr I	$512,524	$80,433	$61,284
	Qtr II	$528,119	$83,176	n.a.

OTHER INDICATORS

		DOD Prime Contracts (Millions)
1986	Qtr I	6,914
	Qtr II	6,075
	Qtr III	6,993
	Qtr IV	3,906
1987	Qtr I	5,836
	Qtr II	6,374
	Qtr III	8,265

		Electricity Production (Million Kwh)
1988	Jan	10,271
	Feb	11,514
	Mar	10,754
	Apr	10,425
	May	10,158
	Jun	9,722

Note: All data seasonally adjusted.2

ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are production worker man-hours, insured unemployment, manufacturing employment, and taxable sales. These series are discussed in the technical note below.

TECHNICAL NOTE

Whenever appropriate, data used in the charts have been seasonally adjusted. The series on average weekly hours of production workers in manufacturing and production worker man-hours are adjusted by the Bureau of Labor Statistics method. Other series have been adjusted by the Bureau of the Census (Shiskin) method. Persons interested in a detailed description of these methods are referred to the U.S. Department of Labor, Bureau of Labor Statistics, the BLS Seasonal Factor Method (1964); and the U.S. Department of Commerce, Bureau of the Census. Technical Paper No. 15, The X-11 Variant of the Census Method II. Seasonal Adjustment Program (November 1965).

Under the Census Bureau seasonal method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

Production Worker Man-Hours

This series is a substitute for the man-hours in nonagricultural establishments series used in the Census Bureau's publication, Business Cycle Developments. It is the cross product of average weekly hours of production workers in manufacturing and manufacturing employment. Workweek data are a leading indicator. Manufacturing employment appears to be a coincident indicator, although at times it seems to lead economic downturns. Because of this, the man-hours series has been classified in the present publication as a leading indicator.

Insured Unemployment

The series on total insured unemployment is being used rather than the insured unemployment rate included in the Census Bureau's indicator list. The insured rate is available only with a lag of nine months, which precludes its usefulness as a current indicator.

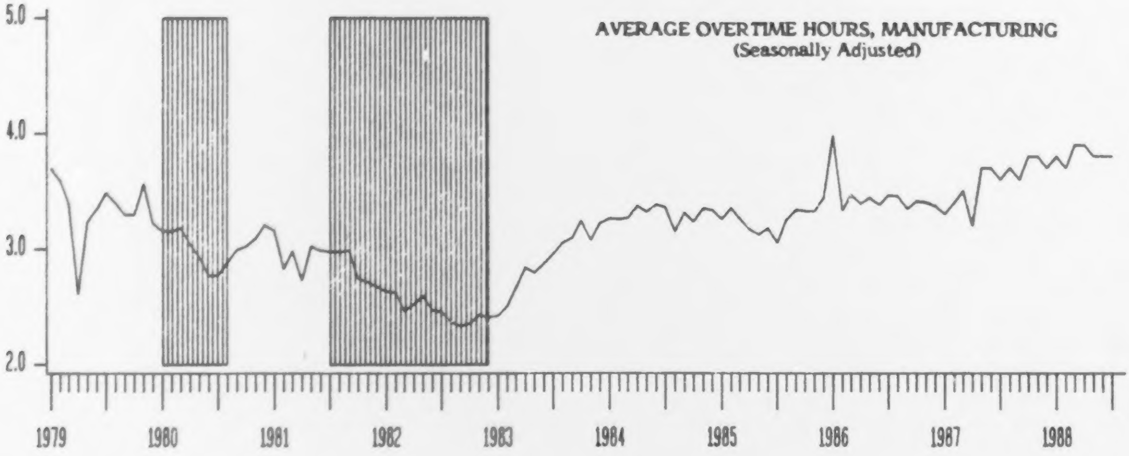
Manufacturing Employment

This series is also an addition to the Census Bureau indicator list. It was used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

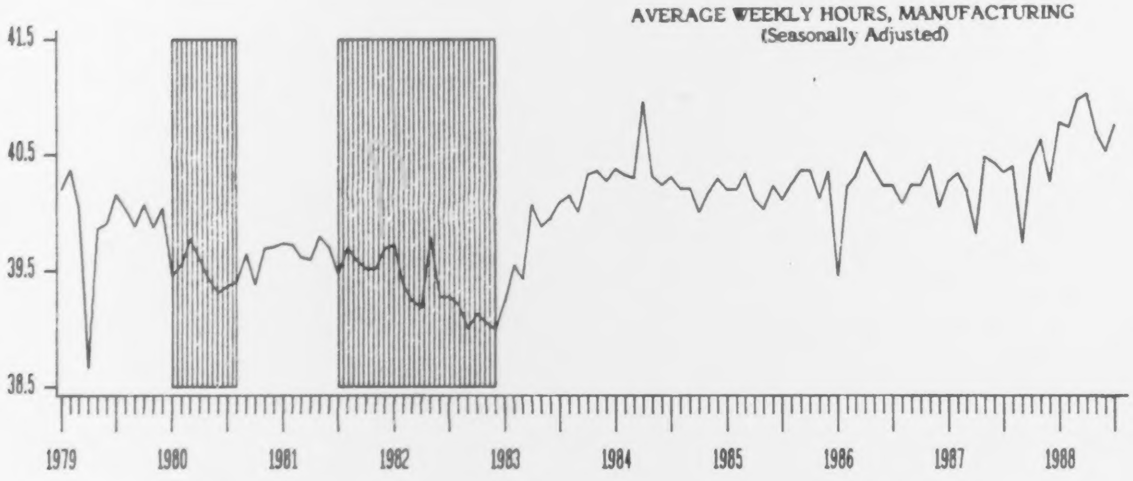
Taxable Sales

Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is therefore a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950.

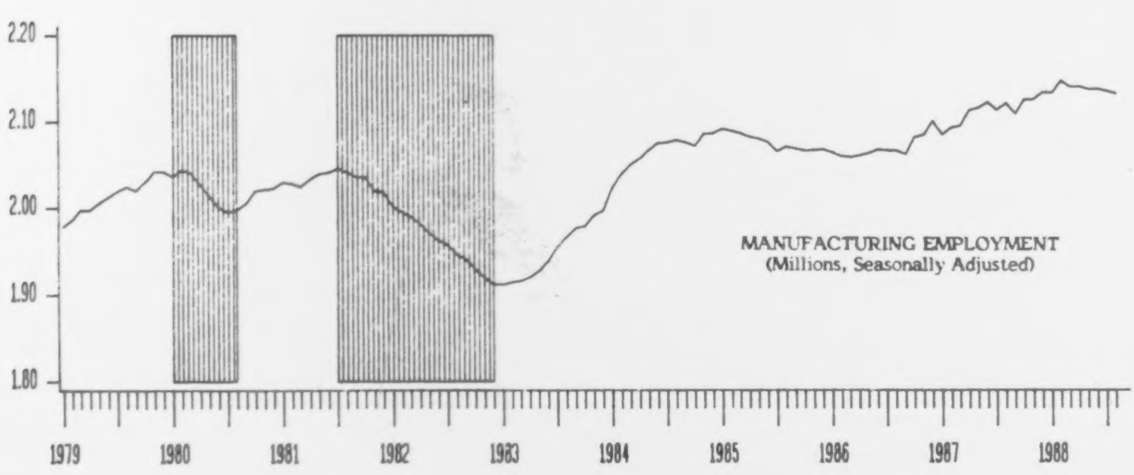
The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.



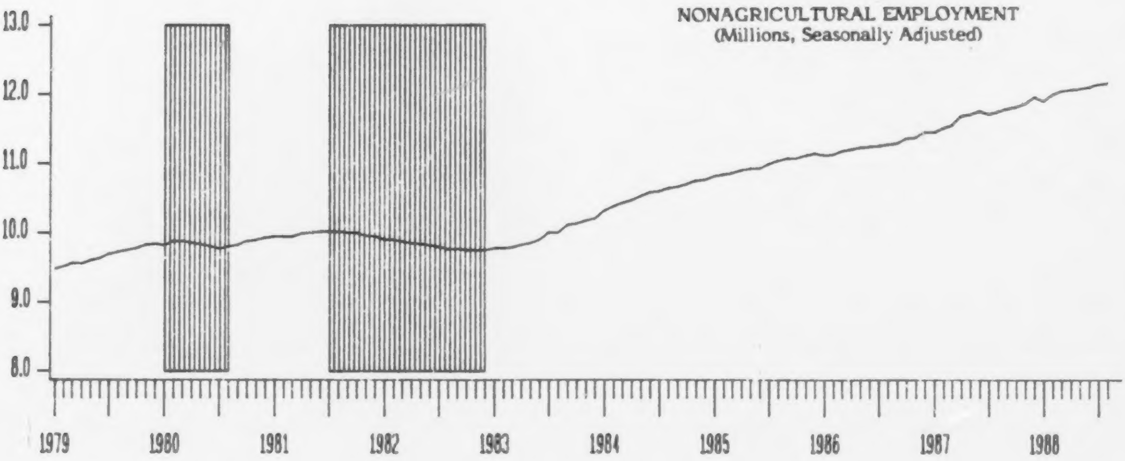
AVERAGE OVERTIME HOURS, MANUFACTURING
(Seasonally Adjusted)

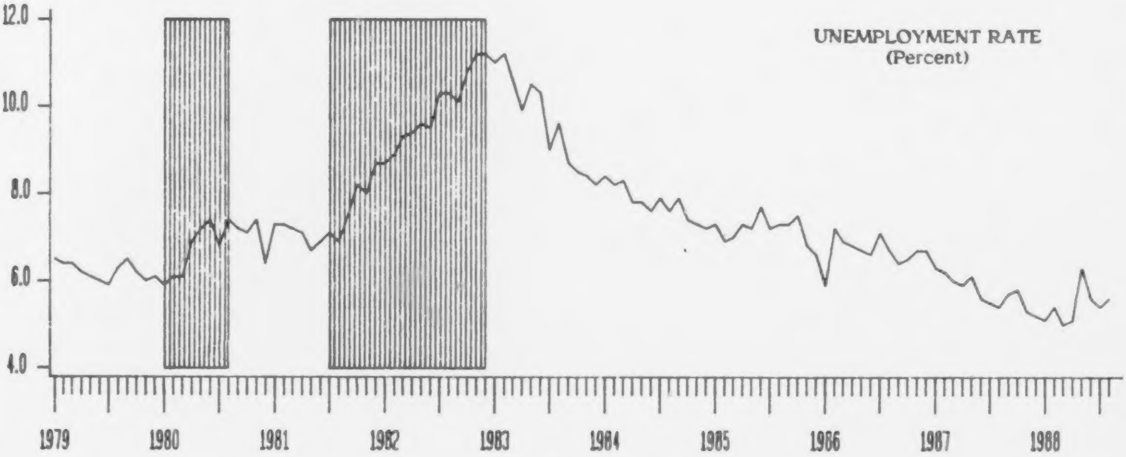


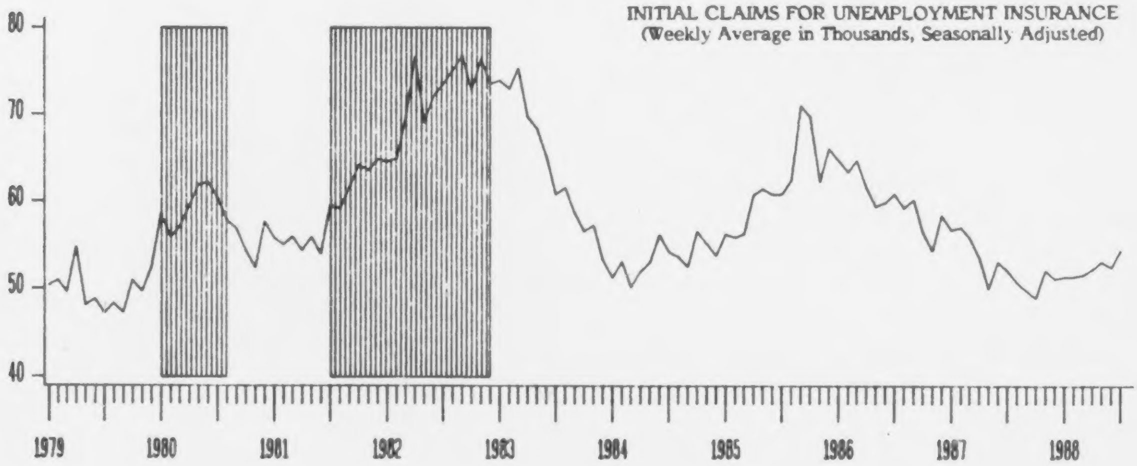
AVERAGE WEEKLY HOURS, MANUFACTURING
(Seasonally Adjusted)

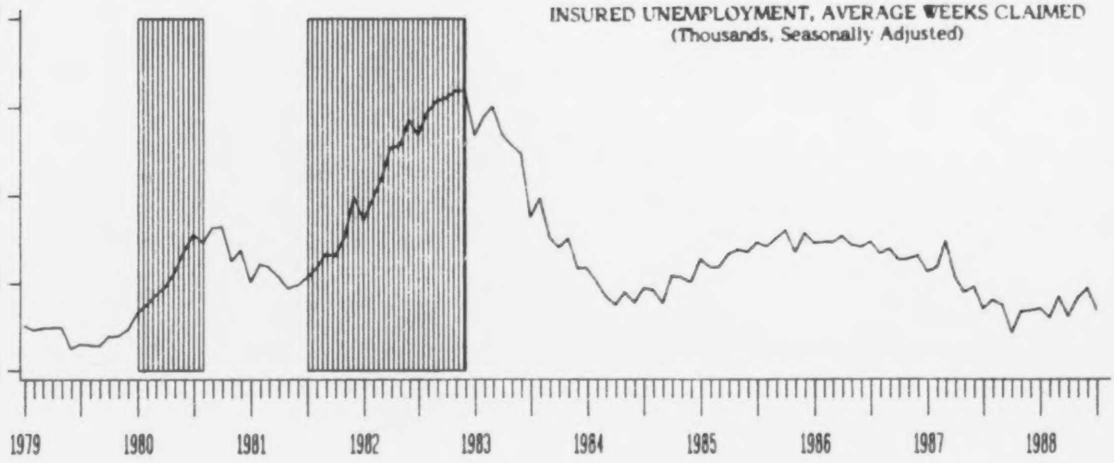


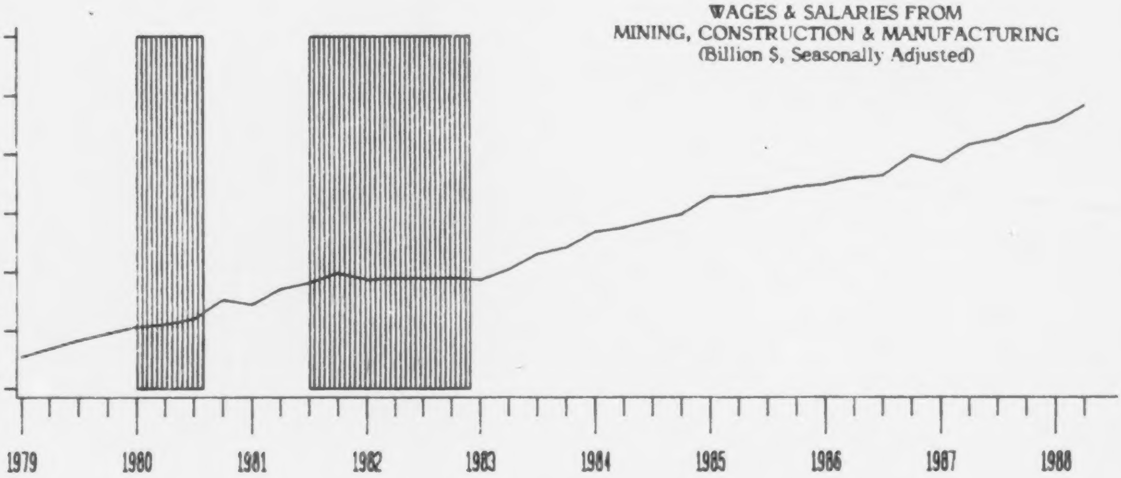
MANUFACTURING EMPLOYMENT
(Millions, Seasonally Adjusted)

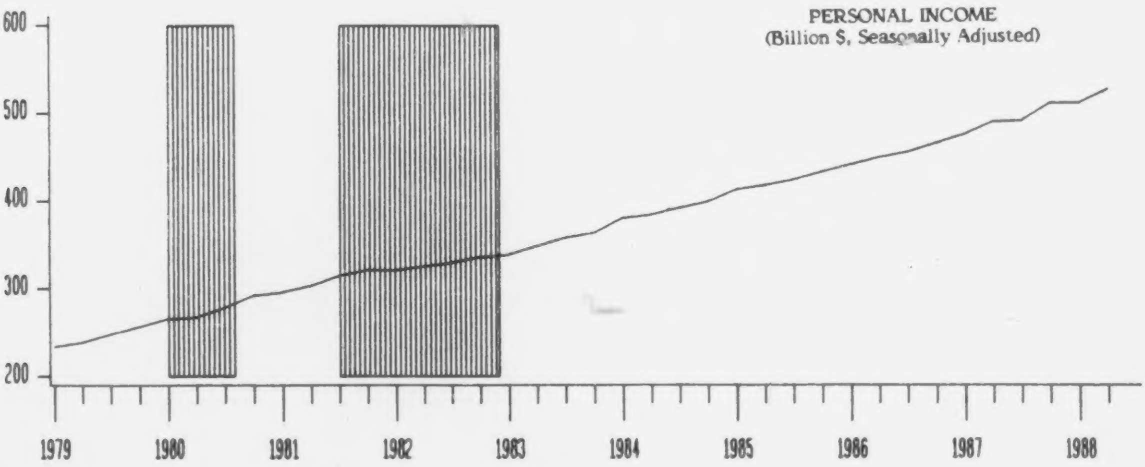

NONAGRICULTURAL EMPLOYMENT
(Millions, Seasonally Adjusted)
13.0
12.0
11.0
10.0
9.0
8.0
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988

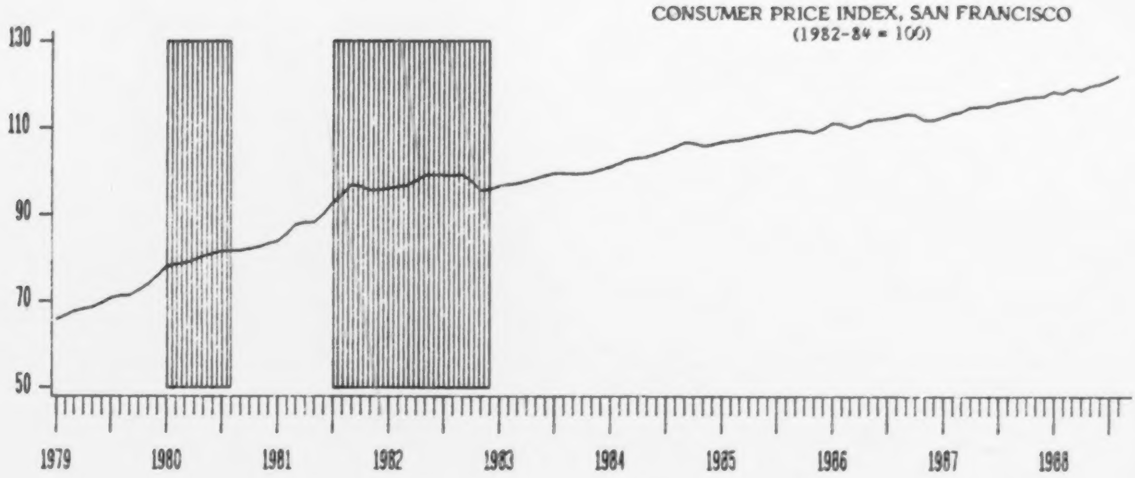

UNEMPLOYMENT RATE
(Percent)
12.0
10.0
8.0
6.0
4.0
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988

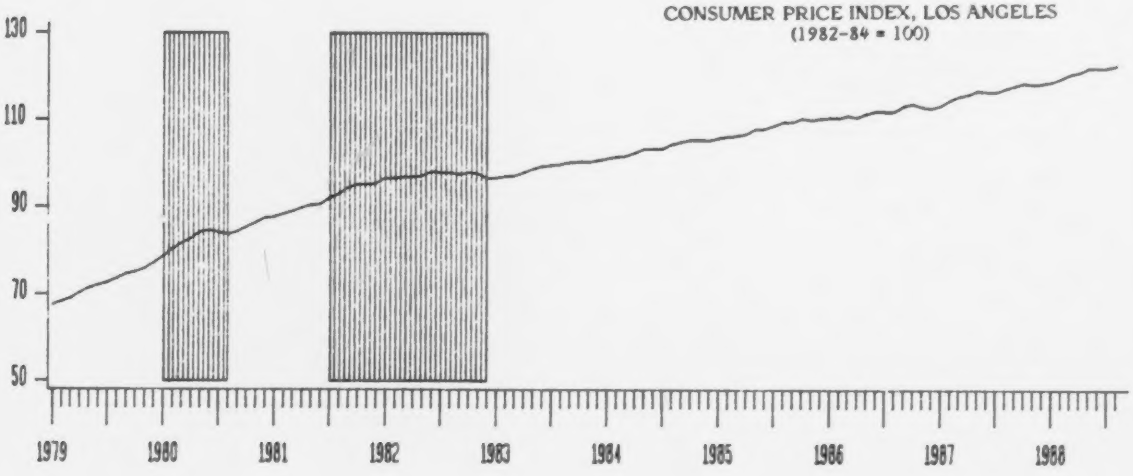

INITIAL CLAIMS FOR UNEMPLOYMENT INSURANCE
(Weekly Average in Thousands, Seasonally Adjusted)
80
70
60
50
40
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988

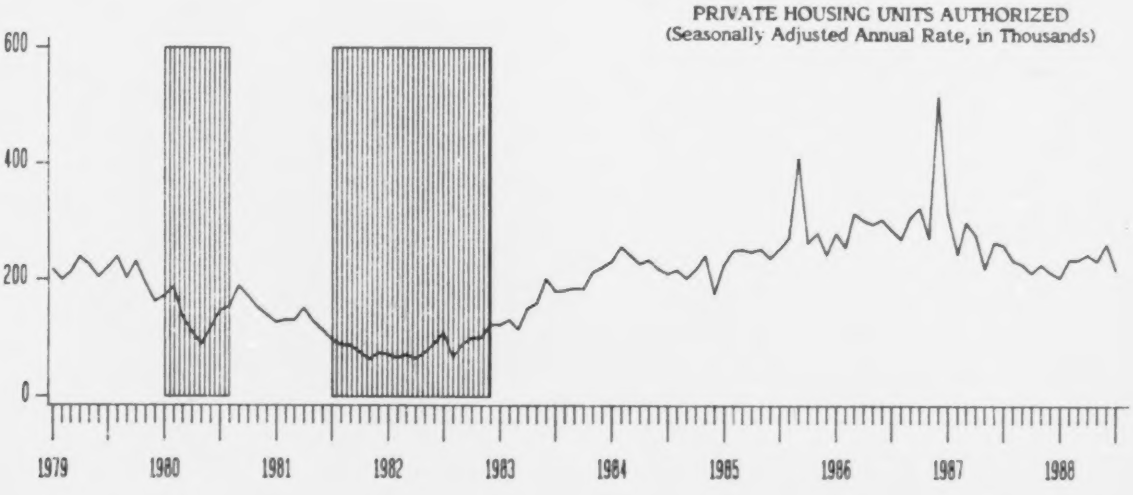

INSURED UNEMPLOYMENT, AVERAGE WEEKS CLAIMED
(Thousands, Seasonally Adjusted)

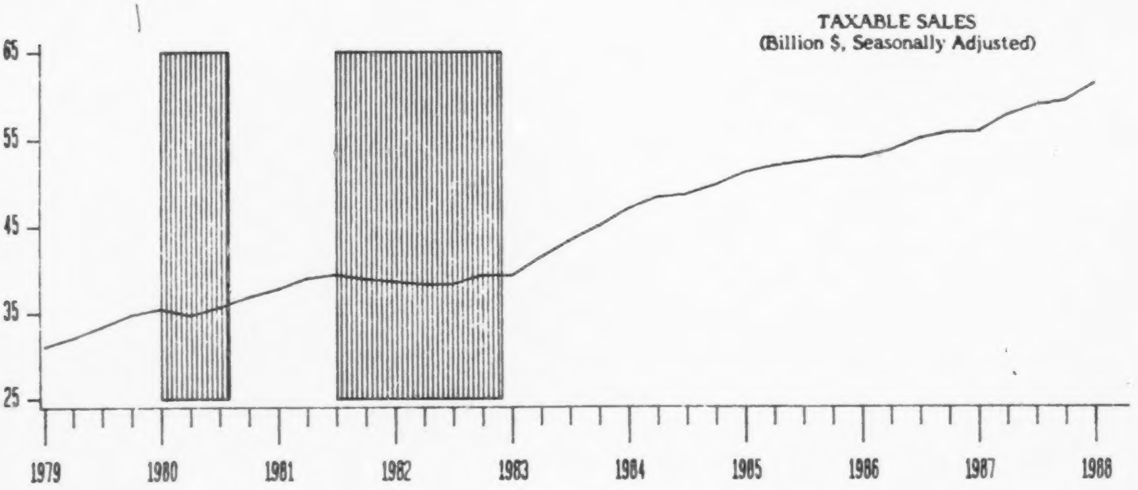

WAGES & SALARIES FROM
MINING, CONSTRUCTION & MANUFACTURING
(Billion $, Seasonally Adjusted)

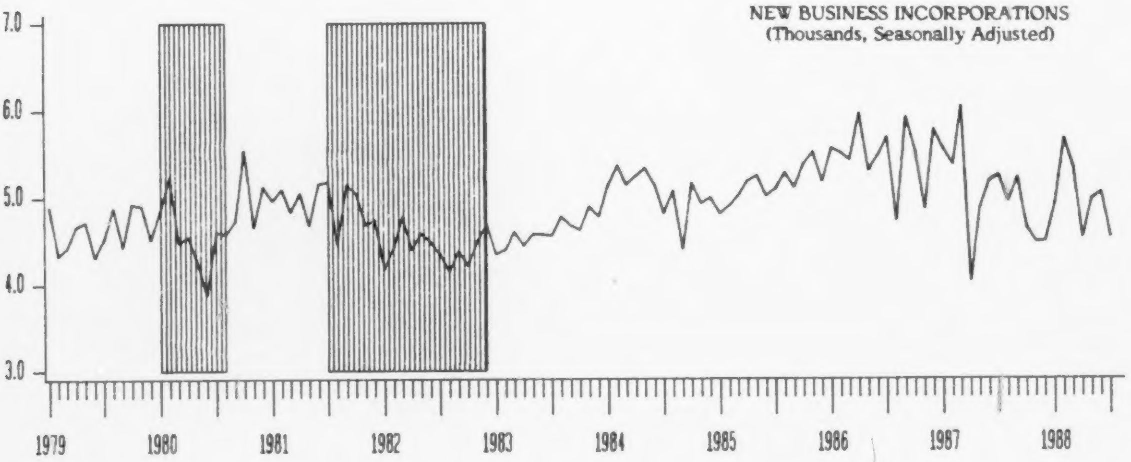

PERSONAL INCOME
(Billion $, Seasonally Adjusted)

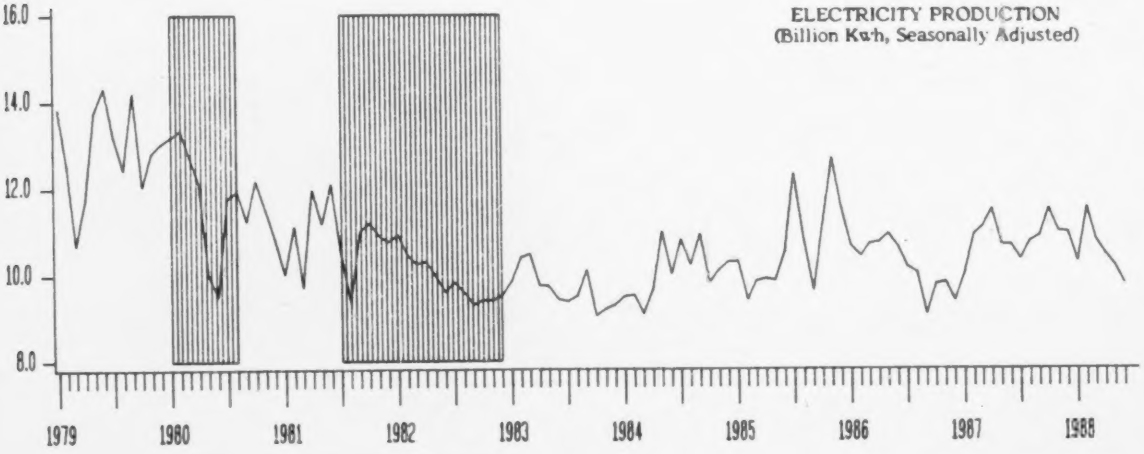

CONSUMER PRICE INDEX, SAN FRANCISCO
(1982-84 = 100)

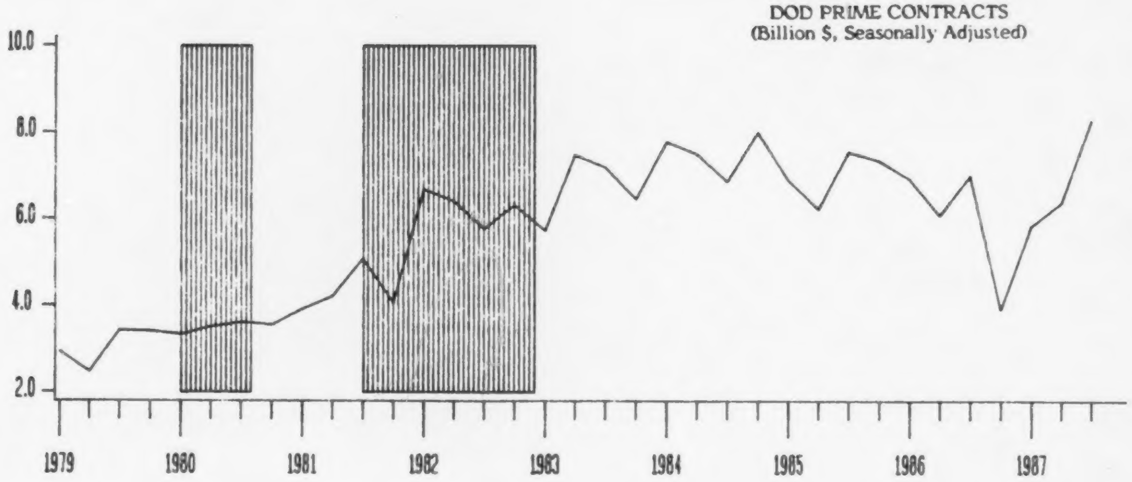

CONSUMER PRICE INDEX, LOS ANGELES
(1982-84 = 100)


PRIVATE HOUSING UNITS AUTHORIZED
(Seasonally Adjusted Annual Rate, in Thousands)


TAXABLE SALES
(Billion $, Seasonally Adjusted)
65
55
45
35
25
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988


NEW BUSINESS INCORPORATIONS
(Thousands, Seasonally Adjusted)
7.0
6.0
5.0
4.0
3.0
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988


ELECTRICITY PRODUCTION
(Billion Kwh, Seasonally Adjusted)
16.0
14.0
12.0
10.0
8.0
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988


DOD PRIME CONTRACTS
(Billion $, Seasonally Adjusted)
10.0
8.0
6.0
4.0
2.0
1979
1980
1981
1982
1983
1984
1985
1986
1987

CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national events of general interest have also been included.

	1980
February 25	Prime rate raised to 16-1/2 percent.
February 27	Ceilings on interest rates for government backed mortgages raised to 13 percent.
February 29	Prime rate raised to 16-3/4 percent.
March 4	Prime rate raised to 17-1/4 percent.
March 7	Prime rate raised to 17-3/4 percent.
March 13	Prime rate raised to 18-1/4 percent.
March 14	Announcement of tighter fiscal policies.
March 17	Three percent discount rate surcharge imposed.
March 18	Prime rate raised to 19 percent.
April 2	Prime rate raised to 20 percent.
April 3	FHA mortgages raised to 14 percent.
April 20	Prime rate reduced to 19-1/2 percent.

	1980--Continued
April 28	FHA mortgages reduced to 13 percent.
	Prime rate reduced to 18-1/2 percent.
May 5	Prime rate reduced to 18 percent.
May 7	Prime rate reduced to 17 percent.
May 8	Discount rate surcharge reimposed.
May 12	Prime rate reduced to 16-1/2 percent.
May 19	Prime rate reduced to 16 percent.
May 28	Discount rate lowered to 12 percent. Some conventional mortgage rates fell to 12 percent.
June 25	Carpenters strike in Northern California ended.
July 3	ICC begins trucking industry deregulation.
July 21-October 23	Motion picture and television industry strike.

CHRONOLOGY--Continued

1980--Continued

July 22	Prime rate reduced to 11 percent.
July 25	Prime rate reduced to 10-3/4 percent.
July 28	Discount rate reduced to 10 percent.
August 5	Prime rate raised to 11 percent.
August 27	Prime rate raised to 11-1/2 percent.
September 5	FHA mortgage interest rate raised from 11-1/2 to 12 percent.
September 12	California morgage rate raised from 13-1/2 percent to 13-3/4 percent.
September 25	Pacific Southwest Airlines (PSA) pilots strike begins.
September 26	Discount rate raised from 10 to 11 percent. Prime rate raised from 12-1/2 percent to 12-3/4 percent.
October 2	Prime raised from 13 to 13-1/2 percent.
October 3	Prime raised to 14 percent.
October 15	AFTA workers return to work.
October 30	Prime raised from 14 to 14-1/2 percent.
November 7	Prime raised from 14-1/2 to 15-1/2 percent.
November 14	PSA pilots strike ends.

1980--Continued

November 17	Prime raised to 16 1/4 percent. Discount rate raised from 11 to 12 percent and surcharge imposed.
November 21	Prime raised to 17 percent.
November 28	Prime raised to 17-3/4 percent.
December 3	Prime raised from 17-3/4 to 18-1/2 percent.
December 5	Discount rate raised from 12 to 13 percent. Prime raised to 19 percent.
December 11	Prime raised to 20 percent.
December 17	Prime raised from 20 to 21 percent.
December 23	Prime lowered from 21 to 20-1/2 percent.

1981

January 1	Minimum wage raised from $3.10 to $3.35.
January 6	Prime lowered to 20 percent.
January 20	American hostages released from Iran.
January 20	Ronald Reagan inaugurated as 40th President of the U.S.
January 28	Deregulation of oil and gas industry announced, effective immediately.
January 29	Prime rate lowered to 19-1/2 percent from 20 percent.

CHRONOLOGY--Continued

1981--Continued

February 16	General Motors and Ford rebate plans announced.
February 23	Prime rate lowered to 18 percent.
March 2	Prime rate lowered to 18-1/2 percent.
March 10	Prime rate lowered to 18 percent.
March 16	Prime rate lowered to 17-1/2 percent.
March 18	Prime rate lowered to 17 percent.
March 26-June 8	United mine workers strike.
April 13	Prime rate raised to 17-1/2 percent.
April 29	Prime rate raised to 18 percent.
May 4	Prime rate raised to 19 percent.
May 5	Discount rate raised from 13 percent to 14 percent.
May 8	FHA-VA rate up to 15-1/2 percent from 14-1/2 percent.
May 11	Prime rate raised to 19-1/2 percent.
May 22	Prime rate raised to 20 percent.
May 27	OPEC fails to agree on a uniform price schedule. OPEC officials freeze prices at current level.

1981--Continued

June 5	Dollar reaches highest level in international trading since December 1971.
July 8	Prime rate raised to 20-1/2 percent.
August 3 Jan. 17, 1986	Professional Air Traffic Controller's Organization strike.
August 14	President Reagan signs both the tax- and budget-cut bills into law.
August 18	FHA-VA rate up to 16-1/2 percent from 15-1/2 percent.
September 1	Prime rate lowered to 20 percent.
September 21	Prime rate lowered to 19-1/2 percent.
September 22	Fed surcharge cut to 3 percent from 4 percent.
October	Introduction of All Savers Certificates to stimulate savings.
October 6	Prime rate lowered to 19 percent.
	Egyptian President Sadat assassinated.
October 13	Prime rate lowered to 18 percent.
October 30	OPEC price set at \$34.00/barrel--the Saudi benchmark.
November 1	Passbook interest rate raised 1/2 percent to 5-3/4 percent.

CHRONOLOGY--Continued

1981--Continued

November 2	Fed discount rate cut from 14 percent to 13 percent. Prime rate lowered to 17-1/2 percent.
November 10	Prime rate lowered to 17 percent.
November 13	Prime rate lowered to 16-1/2 percent. FHA mortgage rate lowered to 15-1/2 percent.
November 16	Prime rate lowered to 16 percent.
November 17	Fed eliminates 2 percent surcharge. Discount rate unaffected.
December 1	Prime rate lowered to 15-1/2 percent.
December 4	Fed discount rate lowered from 13 percent to 12 percent.
December 12	Martial law imposed in Poland.

1982

January 22	Federal funds rate raised to 13-1/2 percent.
January 25	FHA mortgage rate increased from 15-1/2 percent to 16-1/2 percent.
January 27	Federal funds rate raised to 13-3/4 percent.

1982--Continued

February 2	Prime rate raised to 16-1/2 percent by Citibank and Crocker.
February 18	Prime rate increased to 17 percent.
February 24	Prime rate cut back to 16-1/2 percent.
March 1	Ford-UAW Pact ratified. Workers give up two weeks of paid time off and annual 3 percent raises.
March 8	Prime rate lowered to 16 percent.
March 16	Prime rate back up to 16-1/2 percent.
April 1	OPEC cuts production to 17.5 million barrels from current 18.2. Saudi bench mark set at $34/barrels.
April 5	Unemployment rate nationally hits 9.0 percent tying the post-WW II high in May 1975.
April 12	General Motor and United Auto Workers labor agreement approved.
April 26	The U.S. consumer price index declined 0.3 percent--the first decline in 17 years and the largest drop in nearly a quarter of a century.
May 7	U.S. unemployment rate reaches 9.4 percent for a post-WW II record.

CHRONOLOGY--Continued

1982--Continued

May 13	Braniff Air Lines ceases operation.
June 25	Secretary of State Alexander Haig resigns.
June 28	U.S. Supreme Court rules that federally chartered savings and loan associations cannot be prohibited from enforcing due-on-sale clauses in their mortgage contracts.
July 20	Discount rate lowered from 12 percent to 11-1/2 percent. Prime rate lowered from 16-1/2 percent to 16 percent.
July 27	Prime rate lowered to 15-1/2 percent.
August 2	Discount rate lowered to 11 percent. Prime rate lowered to 15 percent.
August 9	Unemployment rate reached 9.8 percent in July--the highest level since a 9.9 percent rate in 1941.
August 16	Discount rate cut from 11 percent to 10-1/2 percent. Most major banks lower their prime lending rates to 14-1/2 percent.
August 18	Dow Jones Industrial Average rose 38.81 points--an all-time record.
August 19	The stock market trading soared to a record 132,690,000 shares.
August 27	Discount rate lowered to 10 percent. Prime rate lowered to 13.5 percent.

1982--Continued

November 23	Prime rate lowered from 12 percent to 11-1/2 percent.
December 13	Discount rate cut to 8-1/2 percent.
December 14	Introduction of money market deposit accounts by banks and S&Ls.

1983

January 5	Super NOW accounts introducted.
January 11	Prime rate lowered to 11 percent.
January 31	Independent truckers strike begins.
February 10	Independent truckers strike end.
February 15	Toyota/GM agreement to build a small car in late 1984.
February 25	Prime rate lowered to 10-1/2 percent.
March 14	OPEC sets $29 per barrel benchmark price and production quota of 17.5 million barrels.
May 2	A 6.5 magnitude earthquake strikes the town of Coalinga.
	An earthquake measuring 6.5 on the Richter scale strikes Coalinga, California.
June 8	The maximum rate on government-backed mortgages was raised from 11-1/2 percent to 12 percent.
June 18	Paul Volcker reappointed as Federal Reserve Board Chairman.

CHRONOLOGY--Continued

	1983--Continued
June 24	The Federal Budget deficit totalled a record $29.29 billion in May.
July 7	The maximum rate on government-backed mortgages was raised from 12 percent to 12-1/2 percent.
July 13	Chrysler Corporation announced it will repay the remaining $800 million in federally guaranteed loans by September, seven years before they are due.
July 25	The Washington Public Power Supply System defaulted on $2.25 billion in bonds, creating the largest municipal default in U.S. history.
August 1	California's $1.2 billion offering of revenue-anticipation notes, the State's largest note issue, drew strong investor interest. Notes totalling $700 million, maturing next April and June, were oversubscribed.
August 2	The maximum rate on government backed mortgages rose from 12-1/2 percent to 13-1/2 percent.
August 7-August 28	The Communications Workers of America and two other unions strike AT&T.
August 8	Prime rate raised from 10-1/2 percent to 11 percent by most major banks.

	1983--Continued
August 23	The maximum rate on government backed mortgages fell from 13-1/2 percent to 13 percent.
September 1	Soviet Union shoots down Korean Airlines Flight 007, New York to Seoul, near the Soviet Island of Salhalin, just north of Japan.
November 1	Maximum rate on VA & FHA mortgages lowered from 13 percent to 12.5 percent.
November 3-December 21	Strike against Greyhound Lines Inc.
December 1	FHA mortgage interest rates begin to float. VA rates are still pegged.

	1984
January 3	Breakup of AT&T becomes effective.
February 2	Contemporaneous reserve accounting is required by Fed for all but the very small deposit-taking institutions.
March 19	Prime rate raised from 11 percent to 11-1/2 percent.
March 20	Maximum rate on VA loans raised from 12-1/2 to 13 percent.
April 4	Prime rate raised from 11-1/2 percent to 12 percent.
April 9	Discount rate raised from 8-1/2 percent to 9 percent; the first change in 3 years.
May 5	Prime rate raised from 12 percent to 12-1/2 percent.

CHRONOLOGY--Continued

1984--Continued

June 26	Prime rate raised from 12-1/2 percent to 13 percent.
September 3 - December 7	Hotel and restaurant strike - San Francisco.
September 15 - October 14	UAW-General Motors strike.
September 28	Prime rate reduced from 13 percent to 12-3/4 percent.
October 16	Prime rate reduced from 12-3/4 percent to 12-1/2 percent.
October 28	Prime rate reduced from 12-1/2 percent to 12 percent.
November 7	Prime rate reduced from 12 percent to 11-3/4 percent.
November 21	Discount rate reduced from 9 percent to 8-1/2 percent.
November 28	Prime rate reduced from 11-3/4 percent to 11-1/4 percent.
December 17	Prime rate reduced from 11-1/4 percent to 10-3/4 percent.
December 24	Discount rate reduced from 8-1/2 percent to 8 percent.

1985

January 1	Federal price controls removed from approximately half of the natural gas produced in the United States.

1985 Continued

January 15	Prime rate reduced from 10-3/4 percent to 10-1/2 percent.
March 9	Home State Savings Bank Cincinnati, Ohio closed.
March 15	Seventy Ohio thrift institutions closed to prevent run on deposits.
March 25	Maximum rate on VA loans raised from 12-1/2 percent to 13 percent.
May 2	Auto manufacturer's initiate low interest loan programs.
May 17- June 14	United Airlines--Air Pilots Association strike.
May 17	Prime rate reduced from 10-1/2 percent to 10 percent.
May 20	Dow Jones Industrials close above 1,300 for the first time.
May 29	Presidents' tax reform plan unveiled.
June 18	Prime rate reduced to 9 1/2 percent from 10 percent.
July 16	Conventional mortgage rates fell to 12.03 percent average--the lowest since October 1979.
July 22- October 16	8,200 steelworkers on strike at Wheeling Pittsburgh--the industry's first major walkout in 26 years.
August 15	GM announces 7.7 percent financing rate program to run through October 2nd.

CHRONOLOGY--Continued

1985--Continued

August 20	Ford and Chrysler announce incentive plans including low interest loans and rebates on 1985 autos.
September 4	The Farm Credit System seeks a Federal bailout of its $74 billion loan portfolio.
September 15	A State Department of Housing and Community Development regulation requiring equal access on accessible levels of apartment houses with five or more units, for handicapped persons, went into effect.
September 16	Saudi Arabia announces plans to boost oil production and cut prices.
September 22	G-5 agreement to push the dollar lower.
November 7	Dow Jones Industrials close above 1400 for the first time.
December 10	World oil prices fall by more than a dollar after OPEC decides to abandon price supports.
December 12	President Reagan signs the budget deficit bill into law, raising the debt ceiling to $2 trillion and setting deficit targets for each year through 1991.
December 23	President Reagan signs the farm subsidy bill into law, creating a 5-year plan to bail out the Farm Credit System.

1986

January 1	Ceiling on Super NOW accounts was removed.
January 17	United Steel workers leaders agreed to allow rank-and-file members to vote on labor contracts for the first time in the union's history.
January 28	Space shuttle Challenger explosion destroys the spacecraft. Seven crew members died.
February 26	Corazon Aquino takes over Phillipines as the new president.
March 3	Dow Jones Industrials close above 1700 for the first time.
March 4	Yields on 10-year Treasury Notes fall below 8 percent for the first time in eight years.
	Oil prices fall to $12 per barrel.
March 7	The discount rate reduced from 7-1/2 percent to 7 percent, following similar cuts by Germany & Japan.
March 10	Prime rate cut to 9 percent from 9-1/2 percent.
March 21	Dow Jones Industrials close above 1800 for the first time.
	Conservative Chirac appointed as Prime Minister of France.
March 25	U.S. warplanes attacked two Libyan ships and a shoreline missile site after Libyan missiles were fired at U.S. planes in the Gulf of Sidra.

CHRONOLOGY--Continued

1986--Continued

April 1	Interest ceilings on passbook saving accounts ended.
	Oil prices fall to under $11 per barrel.
April 14	U.S. air strike against Libya.
April 21	U.S. Dollar reaches a post-WWII low against the Yen at 168.60.
	Discount rate cut from 7 percent to 6-1/2 percent.
	Prime rate cut to 8-1/2 percent from 9 percent.
April 23	Paul Volcker warns of public and private debt buildup as a threat to the economy.
April 25	Soviet nuclear plant at Chernobyl destroyed by fire.
May 12	U.S. dollar falls to 159.95 Yen.
May 22	U.S. proposes 35 percent tariff on Canadian cedar shakes and shingles for roofing, leading to a trade dispute between the U.S. and Canada.
June 1- June 26	CWA strike at AT&T.
July 7	The U.S. Supreme Court ruled that the Gramm-Rudman-Hollings mechanism for across the-board, automatic spending cuts was unconstitutional.

1986--Continued

July 7	The Dow Jones Industrial average was down a record 61.87 points.
July 10	The Fed lowered the discount rate from 6-1/2% to 6%.
July 11	Prime rate cut to 8 percent from 8-1/2 percent.
July 20	Prime rate cut to 7-1/2 percent.
August 1	United steelworkers strike for the first time since 1959. 44,000 workers were involved.
August 20	The discount rate was reduced from 6 percent to 5-1/2 percent.
August 27	The prime rate was cut to 7-1/2 percent from 8 percent.
August 28	General Motors Corp. introduces a new incentive program to lure consumers by an unprecedented auto loan rate of 2.9 percent.
September 4	Stock market prices soared as the Dow Jones Industrial average jumped 38.38 points to a closing record of 1919.17.
September 5	California bank and corporation tax law was amended to provide for a "Waters-Edge" election. This is an alternate treatment of taxable income.
September 11	The Dow Jones Industrial average plummeted a record 86.61 points, or 4.61 percent to 1792.89.

1986--Continued

October 22	President Reagan signs the tax reform bill into law, the first full scale remodification since 1954.
October 27-December 13	Union employees from Kaiser Foundation Hospital, Kaiser Permanente Medical Group, Inc. & Kaiser Foundation Health Plan strike
November 1	The savings bond rate dropped from 7-1/2 percent to 6 percent, affecting new issues only.

1987

January 1	California Legislature approved a measure, effective Jan. 1, 1987, giving school districts the local option to access $1.50 per square foot on new residental construction and $.25 per square foot on new nonresidential construction.
	Fannie Mae raises mortgage ceiling to $153,100 from $133,250.
	OPEC's 7 percent production cut went into effect. U.S. oil prices hit $18 per barrel.
January 8	The Dow Jones Industrial average topped the 2000 mark.
January 19	The Dow Jones Industrial average topped the 2100 mark.

1987--Continued

January 19	The California Trade Office opened in Tokyo.
	The dollar fell to a record low against the yen--150.49 yen to the dollar.
January 22	The Dow Jones Industrial average posted a record 51.60 percent gain to a new high of 2145.67.
February 5	Brazil suspends interest payments on commercial debt.
	The Dow Jones Industrial average topped the 2200 mark.
March 5	Ecuador is rocked by severe earthquake.
March 16	Fannie Mae announces it will not enter home equity loan market.
March 20	The Dow Jones Industrial average topped the 2300 mark.
March 24	U.S. dollar falls to post WW II low--148.5 yen to the dollar.
April 1	The prime rate increased from 7-1/2 to 7-3/4 percent.
April 6	The Dow Jones Industrial average topped the 2400 mark.
April 13	The California Trade Office opened in London.
May 1	The prime rate was increased from 7-3/4 percent to 8 percent.
May 5	Immigration amnesty program in effect.

CHRONOLOGY--Continued

1987 (Continued)

May 7	The Farm Credit System formally asked Congress for a $6 billion loan from the Treasury.
May 15	The prime rate was increased to 8-1/4 percent from 8 percent.
May 17	The U.S.S. Stark was struck by an air-launched Iraqi missile in the Persian Gulf.
June 1	Penalties in place for employers of illegal aliens.
July 17	Dow Jones Industrials close over 2,500 for the first time.
July 22	Kuwaiti tankers placed under U.S. flag for transit through Persian Gulf.
August 10	Dow Jones index closes over 2,600 for 1st time.
August 11	Alan Greenspan sworn in as Chairman of the Federal Reserve Board.
August 17	Dow Jones index closes over 2,700 for 1st time.
September 4	Discount rate raised from 5-1/2 percent to 6 percent.
	Prime rate raised from 8-1/4 percent to 8-3/4 percent.
October 1	Severe earthquake hits Southern California. Epicenter near Whittier.

1987 (Continued)

October 7	Prime rate raised from 8-3/4 percent to 9.25 percent.
October 14	Dow Jones Industrials fall a record 95 points.
October 15	Dow Jones Industrials down 58 points.
October 16	Dow Jones Industrials down a record 108 points.
October 19	Dow Jones Industrial average plunges 508 points, a record 22.6 percent one-day drop. Cumulative four-day decline of 769 points.
October 21	Dow up a record 187 points.
October 22	Prime rate cut to 9 percent from 9.25 percent.
November 2	Dollar falls to 40 year low of 136.95 Yen.
November 5	Prime rate cut to 8/75 percent from 9 percent.
November 23- November 24	Severe earthquakes hit Imperial County.
November 30	Dollar hits postwar lows against Yen and Mark.

1988

February 3	Prime rate cut to 8.5 percent from 8.75 percent.
March 7- August 7	Television writers strike.
May 12	Prime rate raised from 8.5 percent to 9 percent.
July 1	California's minimum wage raised from $3.35 to $4.25.

	1988 (Continued)
July 3	U.S.S. Vincennes shoots down Iran Air Flight 655 over the Persian Gulf.
July 14	Prime rate raised from 9 percent to 9-1/2 percent.
August 9	Discount rate raised from 6 percent to 6-1/2 percent.
August 11	Prime rate raised from 9-1/2 percent to 10 percent.

REFERENCE DATES OF UNITED STATES BUSINESS CYCLES, 1854-1982

Initial Trough	Peak	Terminal Trough	Expansion (months)	Contraction (months)	Total (months)
Dec. 1854	June 1857	Dec. 1858	30	18	48
Dec. 1858	Oct. 1860	June 1861	22	8	30
June 1861	April 1865	Dec. 1867	46	32	78
Dec. 1867	June 1869	Dec. 1870	18	18	36
Dec. 1870	Oct. 1873	March 1879	34	65	99
March 1879	March 1882	May 1885	36	38	74
May 1885	March 1887	April 1888	22	13	35
April 1888	July 1890	May 1891	27	10	37
May 1891	Jan. 1893	June 1894	20	17	37
June 1894	Dec. 1895	June 1897	18	18	36
June 1897	June 1899	Dec. 1900	24	18	42
Dec. 1900	Sept. 1902	Aug. 1904	21	23	44
Aug. 1904	May 1907	June 1908	33	13	46
June 1908	Jan. 1910	Jan. 1912	19	24	43
Jan. 1912	Jan. 1913	Dec. 1914	12	23	35
Dec 1914	Aug. 1918	March 1919	44	7	51
March 1919	Jan. 1920	July 1921	10	18	28
July 1921	May 1923	July 1924	22	14	36
July 1924	Oct. 1926	Nov. 1927	27	13	40
Nov. 1927	Aug. 1929	March 1933	21	43	64
March 1933	May 1937	June 1938	50	13	63
June 1938	Feb. 1945	Oct. 1945	80	8	88
Oct. 1945	Nov. 1948	Oct. 1949	37	11	48
Oct. 1949	July 1953	May 1954	45	10	55
May 1954	Aug. 1957	April 1958	39	8	47
April 1958	April 1960	Feb. 1961	24	10	34
Feb. 1961	Dec. 1969	Nov. 1970	106	11	117
Nov. 1970	Nov. 1973	March 1975	36	16	52
March 1975	Jan. 1980	July 1980	58	6	64
July 1980	July 1981	Nov. 1982	12	16	28

SOURCES OF STATISTICAL SERIES

Employment Development Department Employment Data and Research	Civilian Employment Unemployment Unemployment rate Nonagricultural employment Manufacturing employment Hours and earnings Nonagricultural placements Initial claims for unemployment insurance Insured unemployment Index for production worker hours
Department of Industrial Relations Division of Labor Statistics and Research	California consumer price index
Department of Finance	Personal income Wages and salaries Index of leading indicators
Department of Motor Vehicles	New auto registrations
State Board of Equalization	Taxable sales
U.S. Department of Commerce	Retail sales Housing units authorized Valuation of nonresidential construction
U.S. Bureau of Labor Statistics	Consumer price indices
U.S. Department of Defense	Prime defense contracts
U.S. Department of Energy	Electricity production
California Redwood Association	Lumber production
Conservation Committee of California Oil Producers	Petroleum production
U.S. Bureau of Mines	Cement production
California Secretary of State	New business incorporations
Coldwell Banker	Vacancy Rates
California Association of Realtors	Existing family homes data